A MODEL OF FINANCIAL STRATEGIES TO REDUCE ECONOMIC ILLITERACY FOR FAMILIES AT THE MAJORITY BAPTIST CHURCH

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ABSTRACT

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The main objective of this project is to provide financial literacy training in the areas of daily money management, credit, investing, and asset preservation. The methodology implemented was the use of Pre and Post Surveys, church member participants, and the production of four three hour financial training modules. It was discovered through research that the key to overcoming the challenges of generational poverty is to provide an awareness of financial literacy so that persons are able to utilize personal assets effectively. It was concluded that financial literacy awareness produces an overall marginal impact to overcoming poverty in the short run.

ACKNOWLEDGMENTS

I thank God for the many people who were involved in this project:

1. To my mentors, Rev. Dr. J. Elvin Sadler and Rev. Dr. T. Anthony Spearman, thank you so much for your unyielding patience, guidance and encouragement throughout this entire journey. I want to also thank my peer associates in the Apostolic Leadership cohort group, who have sought to encourage me and be genuine friends throughout this process.

2. To my professional associates, Rev. Dr. Leo Whitaker and Rev. Dr. Casey R. Kimbrough thank you so much for your help and guidance.

3. To the great people of Majority Baptist Church in Spartanburg South Carolina. Thank you for allowing me the wonderful privilege of being your pastor as I sought to become a better caretaker in ministry.

4. To my mother Ms. Rudean Bush for your love, support, and encouragement over the course of my entire life. You have been a tremendous support and example of a strong and caring parent.

5. To the project participants, thank you for allowing me the opportunity to work with you in the financial literacy modules. I learned far more from you, than you ever could from me. I could not have done this without you.

6. To my beautiful wife Ms. Anita Kincy-Bush, thank you for your undying support, patience, and love. You are truly my backbone and I can never say thank you enough.

7. To my children, Morgan, Rori, and Chelsea. Thank you for your love and understanding as I have sought to complete this major chapter in my life.

DEDICATION

This project is dedicated to:

My wife and children,

Anita, Morgan, Rori, and Chelsea

This project is offered in loving memory of

My father Reverend Monroe Bush Jr.

INTRODUCTION

This project is about providing financial literacy to the Majority Baptist Church in Spartanburg, South Carolina. One of the largest problems currently facing the African American community, as well as all Americans, in general, is the deep-rooted issue of poverty. Poverty in America is on the rise and in the twenty-first century poverty looks somewhat different than it looked in the twentieth century. Since the beginning of the American Great Recession which started near the end of 2007 more and more American individuals and families are finding themselves falling further behind as it relates to economic security.

In the book, *The Rich and the Rest of Us, A Poverty Manifesto*, Tavis Smiley and Cornel West speak in-depth about the new face of twenty-first century poverty and how it is affecting everyday people. They assert, "while many whom we met fit what some define as the old poor (people who were impoverished before the beginning of the Great Recession in late 2007), we were also gathered with shockingly large numbers of the new poor; citizens who were once bona fide members of America's middle class, whose lives have been ravaged by the new economy's middle class."[1] People who had good college educations, people who had worked a middle class wage paying job, and people who owned several assets such as a home, a car, and a retirement 401(k) suddenly found themselves shut out of the American dream when they lost their employment with little to no advanced warning. For many middle class and poor Americans many of these assets

[1] Tavis Smiley and Cornel West, *The Rich and the Rest of Us: A Poverty Manifesto* (New York: Smiley Books, 2012), 14.

were taken away after the bottom fell out of the American housing and stock markets. It must also be noted that African Americans have suffered much more during economic downturns than any other demographic, and this problem in so many cases is generational.

So the question that must be asked is: how can the people who are hit the hardest by economic despair and crisis get out from under this terrible nightmare and burden? One of the answers is placing a strong focus on financial and economic education.

When it comes to financial literacy (teaching individuals how to use money and assets wisely) it must be noted that this is not the only answer to getting people out of poverty. But the author understands that financial education can go a long way in helping people use money wisely so that when another economic downturn takes place, the community will be in a better position to stave off poverty and not fall deeper into economic despair.

The Project

This project seeks to provide people with an economic model called financial literacy. After spending time in the financial arena as well as working with numerous persons in parish ministry, the author has discovered that in light of the current economic plight of the American economy many people are looking for ways to provide a better future for themselves and their families.

The project will deal with teaching people the basic concepts and principles of personal financial money management. The four financial areas that will be addressed in

the project are: daily money management, credit, investing, and asset preservation. The researcher selected seven members of the Majority Baptist Church to participate in the project.

Daily Money Management

Daily money management is the process of learning how to handle money wisely on a daily basis. This area of money management places a tremendous amount of attention on the design and implementation of a personal budget. Daily money management is the foundation to setting up a sound personal financial plan that will lead to economic security.

Credit

The subject of credit, learning what credit is, and learning how to use credit wisely is the second strategy to building a sound personal financial portfolio. Credit deals with financial instruments such as car loans, unsecured loans, mortgages, credit cards, and small business loans.

Investing

Every individual who is concerned about their financial future must have a basic understanding of investing and the various investing instruments that are available to them. This includes: stocks, bonds, treasury bills, mutual funds, 401(k) plans, and pensions. An analysis of these financial instruments will be examined during the financial

sessions, and each participant will gain a greater knowledge of what type of investment vehicle is right for them based on their financial goals.

Asset Preservation

The short description for asset preservation is insurance. Over the course of the author's career in finance and pastoring it is disheartening to understand that many people do not have the proper insurance coverage to protect themselves, their families, and their personal assets. The project seeks to expose persons to the various types of insurances that are available such as life, home, rental, car, and health.

Preview of Chapters

Chapter One, *Ministry Focus*, presents the researcher's story from childhood to the present. The chapter looks at how the researcher was called to ministry and the process the researcher took in identifying the financial concerns within the current context to be addressed by the project.

Chapter Two, *The State of the Art in the Ministry Model*, is a study of the prevailing financial literacy models and literature that exists as it relates to personal money management.

Chapter Three, *Theoretical Foundations,* focuses on the theoretical foundations as it relates to the management of money and assets. This chapter explores the Biblical foundations of the project found in Genesis 41:17-40 and Luke 16:1-9. This chapter also discusses the historical foundations of the project by taking a closer look at the state of

Wisconsin's Model of Academic Standards for Personal Financial Literacy, the Jumpstart Coalition for Personal Financial Literacy, and the financial teachings Larry Burkett founder of Crown Financial Ministries. Finally, the chapter ends with a theological exploration of the project by looking at the theologies of John Wesley, John Calvin, Gustavo Gutierrez, and James Cone.

Chapter Four, *Methodology,* focuses on the researcher's methodology and proposal for the project. This chapter also presents the analysis and measured outcomes of the project.

Chapter Five, *Field Experience*, charts the steps of this project from beginning to end. This chapter provides a brief description of each of the project participants. In this chapter the researcher will explain how the project was implemented, the impact the project had on each of the participants, and the final outcome of the project.

Chapter Six, *Reflection, Summary, and Conclusion,* is the summation of the researcher's key learning's from the project. In this chapter the researcher will share what worked well, what did not work well, and how the project can be used and adjusted in the future.

The researcher is confident that the findings from this project will help to curb the increasing rise of poverty if the principles provided in the project are taken seriously and implemented on a person-by-person basis. Again, one of the major keys in overcoming the issue of poverty is to teach financial literacy. Financial literacy is a long-term solution to overcoming this epidemic.

CHAPTER ONE

MINISTRY FOCUS

Spiritual Journey

Reverend Marcell Davon Bush, the author of this work, is originally from a small town called Barnwell, South Carolina. Barnwell is a close-knit community about forty two miles east of Augusta, Georgia. The author is the third of four sons born to Rev. Monroe Bush Jr. and Mrs. Rudean Bush. It has often been said the author's parents had two sets of children. The gap in years between the author and his second oldest brother is six years. The age gap between the author and his youngest brother is three years. The author was born on April 25, 1970 and as a child he always felt safe, primarily because his mother always kept a close watch over him and his brothers at all times. The author's father, who is now deceased, was a Baptist pastor for fifty years. His mother, before retiring, was an elementary school teacher for twenty-eight years. In addition to ministry, Monroe Bush Jr. also had a full-time job at Savannah River Plant where he worked for thirty-five years. Monroe was also a very active farmer. The family still owns land in South Carolina. The author and his brothers continue to oversee a small farming operation on the land in South Carolina.

When reflecting on his childhood, Marcell believes what really stands out is the fact that both of his parents had a very strong work ethic and they tried to instill this same type of ethic in their children. Marcell's parents would never accept anything but the

absolute best from their children when it came to academic achievement or even performing assigned chores at home or on the farm.

When remembering life as a young member of the Bush family, Marcell asserts it was abundantly clear that both parents were outstanding providers for their family. These parents taught their children the importance of working hard. Another important lesson for the children involved the importance of saving and wisely investing the money that the children earned. This idea about saving was always being driven home to all of the Bush brothers. Each week the author's father would give his children an allowance and then promptly advise them to give ten percent of their earnings back to God in the form of a tithe, save ten percent, and then use the remainder of their earnings to purchase the things that they really needed.

After graduating from high school in 1988, the author attended Johnson C. Smith University in Charlotte, North Carolina, and earned a Bachelor of Science Degree in Business Management and Economics. While a student at Johnson C. Smith, he began to establish his own identity and he excelled in his studies. This was a time of true growth and once Marcell graduated from college he suddenly found himself with several job offers. He eventually decided to go to work for a major insurance company called The St. Paul. After working there for a couple of years he received the opportunity to enter a management training program with First Union National Bank which has since changed its name to Wells Fargo National Bank.

It was during this time while still working in corporate America that the author sensed that something was really missing in his life. It was not until 1994, about two years after graduating from college, that he began to become serious about his faith walk. He eventually joined the Mount Zion Baptist Church in Arlington, Virginia. It was at this time in his life when the author became active in ministry and made a strong effort to begin asking God what was it that God had for him to do. Marcell knew that God had some type of call on his life, but he just did not know what it was. For two more years he continued to pray and work in the church asking God the question over and over, "What is it that God is calling me to do?" God eventually answered the question. In 1996 God gave Marcell the clear vision that his call was to preach the gospel of Jesus Christ.

In 1997 the author was relocated by First Union to Savannah, Georgia, which was only two hours from his boyhood home of Barnwell, South Carolina. While working in Savannah he was given the opportunity to return to his original home church and preach his initial sermon. The author remembers that this was a very hopeful time in his life, and he recalls that his parents were extremely proud of what he was able to accomplish. He also got married that same year to the former Anita Louise Kincy and to this union God has blessed them with three children: Morgan, Rori, and Chelsea.

In January of 2006 Rev. Marcell Bush was called to become the Senior Pastor of the Majority Baptist Church in the small southern city of Spartanburg, South Carolina. The church has about two hundred members and over the last several years the church has seen quite a bit of growth both spiritually and numerically. Majority has been one of the cornerstone churches in the Spartanburg community for several decades. The church

has a rich heritage and legacy as it relates to helping people in the community develop their potential not only from a spiritual perspective but also from a practical perspective. For example, years before the integration of schools in the South, Majority was one of the churches which opened its doors in order to teach young black students how to read and write. This is a legacy that the church is very proud of, and as the current pastor of Majority, the author is thankful to have the opportunity to share in this rich tradition.

In terms of looking at Majority Baptist Church from a contextual standpoint, it must be acknowledged that as a minister, one must become keenly aware that one's assignment does not only consist of the duty to teach and preach the Word of God, but one must also be aware of the fact that a minister has a duty to work closely with individuals in order to bring about positive change and growth. The author has spent the last seven years at Majority. One of the main social areas where the author has discovered a real opportunity for positive change and growth is in the area of financial literacy.

Context of Ministry

The Majority Baptist Church is located at 400 Hudson L. Barksdale Boulevard in Spartanburg, South Carolina. It is one of the oldest African American churches in the upstate region of South Carolina. It was founded in 1902.

Majority is located in what is known as the "south side" of Spartanburg. The "south side," as local residents call it, has always been known and referred to as the "black" section of town where there has always been a rich history of progressive movement for African Americans in the areas of education, politics, business, commerce,

and religion. This area of the city was established by Joseph Miles Young and his wife, Priscilla Young, who both migrated to the area during the time of the Civil War.

> "During Reconstruction both the Young family and other former slaves began to acquire land and to build lives on the South Side of the City. At the time, Young and his neighbors defied the general stereotype of ex-slaves being hapless and unable to provide for themselves. The history of the south side's development shows that while whites were concerned about 'reconstructing' what they had, African Americans on the other hand worked to build communities and a people from the ground up for themselves and for their children."[1]

The people of the south side built their own homes, churches, and even their own schools for their community which produced nationally respected teachers, ministers, health workers, and business people. The south side has been an incubator for Black progression in Spartanburg, however, in recent decades that progression has been on a steady decline. Several reasons for this decline include: major industries relocating abroad, major shifts in the traditional family structure, declines in scholastic achievement, spikes in the crime rate due to gang violence and drug solicitation, and a slower rate of new residents moving into the city due mainly to the aforementioned problems. However, the greatest contributor to the south side's decline is what is termed as "urban renewal" that took place from the late 1960s until the early 1970s.

Prior to this urban renewal, poverty had always been a problem on the south side of the city due to Jim Crow laws that worked to discriminate against African Americans in education and employment. One of the great examples of this discrimination was when the South Carolina General Assembly in 1915 "officially banished African Americans

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[1] Beatrice Hill and Brenda Lee: *South of Main* (Spartanburg: Hub City Writers Project, 2005), XII.

from the cotton mills by making segregation required by law."[2] Spartanburg was heavily invested in the mill and textile industries, but African Americans were kept out of these businesses. Had African Americans been employed in these industries and enjoyed opportunities for career advancement, they might also have had enjoyed a greater potential to own their homes. However, as bad as these moves were for African Americans at this time, it was the institution of urban renewal beginning on December 5, 1967 that decimated the close-knit culture and vibrancy of the south side community. During that time, officials from the local, state and federal governments, made residents believe that urban renewal was going to be a good thing and that it would lift the community out of poverty. But this claim could not have been further from the truth. When renewal came to the south side, homes and businesses were destroyed never to be rebuilt "2,000 south side residents were dispersed to other areas."[3] To add insult to injury, instead of just bulldozing many of the homes, the city burned them which caused damage to additional property owned by the residents. Some prominent officials in the city used the excuse that burning homes and businesses would rid the place of its snake and rat problem. "When this happened, the displacement of people, the middle-class models of achievement went one way. Their poor neighbors went another, and many people entered public housing (if they could get in) where hopelessness and worse became their morals and ethics."[4] Over the course of that painful time period in south side's history, the

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[2] Beatrice Hill and Brenda Lee: *South of Main* (Spartanburg: Hub City Writers Project, 2005), XII.

[3] Beatrice Hill and Brenda Lee: *South of Main* (Spartanburg: Hub City Writers Project,2005), XIV.

[4] Ibid.

people had fallen victim to empty promises. Prosperity slipped away. Poverty crept in. Moreover, the south side of Spartanburg has never fully recovered. Looking at the south side's current social and physical makeup, it must be said that this close-knit community still suffers from the many scars left behind by urban renewal. However, in spite of the economic challenges that this area faces, this very important part of the city's corridor still remains a place where some of Spartanburg's strongest citizens choose to live, worship, and open their doors for business.

Turning now to the demographics for the area, it must be said that for all the years that Majority Baptist Church has been in existence, it has seen the surrounding community change significantly. The church was affected by urban renewal. If a snapshot is taken in terms of the general area, 92,341 people reside within a five-mile radius of Majority Baptist Church. The population in the study area consisting within a five mile radius of the church is expected to grow in 2015 by 2.1% or 1,920 additional persons. During this same period, the U.S. population is projected to grow by 5.1%.

The current lifestyle diversity in the area is extremely high with a considerable 41 of the 50 U.S. lifestyle segments represented. The top individual segment for Majority Baptist Church is urban diversity representing 13.2% of all households.

Racial and ethnic diversity is extremely high in the church's study area.

The population breakdowns are as follows:

- 53.5% are White

- 37% are Black
- 5.7% are Hispanic
- 3.8% are Asian/Other[5]

The area surrounding Majority Baptist Church has a very nontraditional family structure due to a below average presence of married persons and two-parent families.

The overall education level of the area is low to moderate:

- 72.7% of the population age 25 and above have graduated from college as compared to the national average of 80.4%.
- College graduates account for 22.8% of those over 25 years of age in the area versus 24.4% in the U.S.[6]

When it comes to key concerns of residents in the area that surround Majority Baptist Church, "Household concerns exceed the national average as they pertain to: Racial/Ethnic Prejudice, Finding Spiritual Teaching, Finding a Good Church, Problems in Schools, Neighborhood Crime and Safety and Retirement Opportunities."[7]

Overall likely faith involvement levels and preference for historic religious affiliation is somewhat high compared to national averages. Based on the average household income of $49,125, the overall giving potential when it comes to church is somewhat low.

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[5]Ministry Area.Com. *Majority Baptist Church: Ministry Area Profile* (accessed March 1, 2010).

[6] Ministry Area.Com. *Majority Baptist Church: Ministry Area Profile* (accessed March 1, 2010).

[7] Ibid.

When it comes to trends in the community surrounding Majority, "the average age of residents is 38.9, and this is projected to change to 39.6 by the year 2015. The average household income is currently $49,125, and this is projected to change to $51,281 by 2015. The population by gender:

- Currently there are 48,789 females, 52.8%.
- Currently there are 43,552 males, 47.2%.

Population by generations follows:

- Generation Z (born 2002 or later) 11.2%
- Millenials (born 1982-2001) 27.3%
- Survivors (born 1961-1981) 28.0%
- Boomers (born 1943-1960) 20.6%
- Silents (born 1925-1942) 10.6%
- Builders (born 1924 and earlier) 2.3%.[8]

Here is some general census information:

- The percentage of persons living in the five mile radius of the church who are single (never married) is 29.2, or 21,355 people.
- The U.S. average is 27.1% for singles.

[8] Ministry Area.Com. *Majority Baptist Church: Ministry Area Profile* (accessed March 1, 2010).

- The percentage of people living in the five-mile radius of the church who are married is 51.3%, or 37,533.
- The U.S. average for married couples is 56.5%.
- Persons who are divorced or widowed in the area is 19.6% or 14,319.
- The U.S. average for divorced or widowed people is 16.4%.
- In terms of household status, homes lead by single males is 11.9%.
- The percentage of single females is 19.1%.
- Households managed by married couples are 43.5%.
- Households managed by another male head of household is 4.2%.
- Households managed by another female head of household is 16.5% for the area.

Here is the information on education for people twenty five and older:

- Elementary school (less than 9 years), 10.1% of population, or 5,995 (U.S. average 7.5%).
- Residents with some high school experience, (grades 9 to grade 11) 17.3% or 10,292 (U.S. average 12.1%).
- The percentage of residents who are high school graduates is 25.8% or 15,375 (U.S. average 28.6%).
- Those with some college experience (13-15 years) 17.8% or 10,611 (U.S. average 21.0%).
- Residents with associate degrees 6.3% or 3,750 (U.S. average 6.3%).

- Those who have obtained bachelor's degrees is 14.3% or 8,537 (U.S. average 15.5%).
- Those who have obtained a graduate degree 8.5% of the residents in the area or 5, 081 (U.S. average 8.9%).[9]

When looking at poverty, retirement income, and home ownership, the following census data has been obtained:

- People living above the poverty line (householder age 0 to 64) is 64.1%.
- People living above poverty line (householder age 65 and older) is 20%,
- People living below the poverty line (householder age 0 to 64) is 12.4%.
- People living below the poverty line (householder age 65 and older) is 3.5%.
- The percentage of seniors who are living with retirement income is 16.5% and the percentage of those living without retirement income is 83.5%.[10]

There are 21,400 owner-occupied housing units for the area, or 58.8% of the subject population. The U.S. average for owner occupied housing is 66.2%. Renter occupied housing units for the area is 15,015 or 41.2% of the subject population. The U.S. average for renter occupied housing is 33.8%.[11]

The households in the subject area have the following concerns when it comes to their personal lives and communities:

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[9]Ministry Area.Com. *Majority Baptist Church: Ministry Area Profile* (accessed March 1, 2010).

[10]Ministry Area.Com. *Majority Baptist Church: Ministry Area Profile* (accessed March 1, 2010).

[11] Ibid.

- 43.2% are concerned about maintaining personal health.
- 29.8% are concerned about finding/providing health insurance
- 32.4% are concerned with day-to-day financial worries.[12]

When it comes to family, these are the primary areas of concern:

- Dealing with teen/child problems (21.3%)
- Dealing with alcohol and drug abuse (16.3%)
- Finding and providing for aging parents (15.6%).[13]

In terms of the community as a whole, the major concerns are:

- Neighborhood crime and safety (28.4%)
- Finding good schools (23.5%)
- Dealing with racial/ethnic prejudice (17.0%).[14]

When looking at the subject area's hopes and dreams, the major concerns are:

- Achieving long-term financial security (46.6%)
- Finding time for recreation (21.2%)

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[12]Ibid.

[13]Ibid.

[14]Ministry Area.Com. *Majority Baptist Church: Ministry Area Profile* (accessed March 1, 2010).

- Finding better quality healthcare (21.6%)[15]

Finally, on the subject of giving to the church, indicators show that persons in the subject area are likely to give only moderately to these types of organizations. "Only 16.9% of households in the community give more than $1,000 per/year to the church. The largest group of givers in the community who give to charities are households that give only $100 per year at 59.8%."[16]

Based on the information gathered through the study of the demographics of the community where Majority Baptist Church is located, and given my background in banking and insurance, the researcher asserts that there is a real opportunity to expand ministry at Majority Baptist Church into the area of providing sound and practical financial training and literacy to the community. The demographic data concluded that a large percentage of the people who reside in the community are lagging behind the national averages. When it comes to seniors having adequate retirement income to support themselves during their retirement years, the seniors who reside in the target area are behind the national average of persons prepared for retirement, for example. When seniors don't have adequate income flowing in on a regular basis, it only makes practical sense that many times these persons are forced to make very difficult survival choices such as choosing to buy food versus buying their medicines which are extremely expensive. The area around Majority also lags behind the national average as it relates to home ownership. Home ownership in the United States is the key and the foundation for

[15]Ibid.

[16]Ibid.

building wealth. However, many people in the general community surrounding Majority Baptist Church are not in a financial position to purchase a home. This inability to purchase a home is a major reason why people never increase their net worth which subsequently increases poverty in a community. Persons in the area are also concerned about healthcare. One of the major concerns is the affordability of healthcare. Persons must be educated on the different types of healthcare plans that are available to them both from the private and public sectors. For example, a health plan from a private insurance company such as Aetna or United Healthcare is priced differently. On average, private plans have higher rates than state or federally sponsored health plans. It is extremely important that people first become aware of the different types of health plans available to them and then become educated on the advantages and disadvantages of the various types of plans available.

Finally, there is a major opportunity to expand ministry to support the community's concerns about day-to-day financial worries and to assist them in achieving financial security. In recent years the economy in the United States has declined significantly. The American economy has seen its worst decline since the Great Depression of the 1920s and 1930s. Therefore, it came as no surprise to the author, when reviewing the data collected through his research, that people are extremely concerned about their financial futures.

Over the last forty years there has been a consistent decline in the number of jobs and businesses that have left the south side community. As a result, the people who have remained in the community have unfortunately experienced generational poverty due to

the lack of job growth and small business opportunities. In addition, the rate of population growth has slowed significantly.

Generational poverty is defined when two or more generations of a family are born into poverty. When a family experiences generational poverty, what becomes evident is that these persons are not equipped with the proper tools needed to survive in mainstream society.

The effects of generational poverty are devastating. For example, children who are born into this type of situation generally "do not develop the tools needed to survive in middle class society. Studies have shown that children in lower income families hear fewer words and have an average vocabulary of 800 words relative to the 1,200-1,300 word vocabularies of children in middle income families. With fewer opportunities for language acquisition, it becomes more difficult to obtain the continuing education, employment and other resources needed to move out of poverty."[17]

Generational poverty also has a tremendous impact on the way a person spends money. Although intuitively one might think a person with limited funds would focus spending on essentials only, those experiencing generational poverty may have a different view. The purchase of televisions and other entertainment nonessentials, for example, may be considered frivolous spending by those with a positive economic outlook. However, for the individual living with limited means, it may be perceived as a temporary escape from the everyday stresses of living without adequate resources.

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[17] Danielle Engle, "*Understanding Poverty.*" Catholic Charities (March2006). http//old.stjoan.com/er6/poverty/poverty.htm (accessed February 8, 2011).

"The social norms of individuals in generational poverty also vary from those of the mainstream society. Jobs may be lost for no other reason than a lack of understanding of the expectations that others take for granted: one's attire, speech, mannerisms, and other social norms in any given setting."[18]

Based on these facts, the only way to overcome the challenges of generational poverty is through targeted outside intervention such as counseling, training, and education. When financial education is set as a goal then the overall financial awareness of a community will be increased.

The Project

Based on the deep-rooted problem of generational poverty facing the community, the title of this project is: *A Model of Financial Strategies to Reduce Economic Illiteracy for Families at the Majority Baptist Church.* The areas of concern that will be addressed in this project are daily money management, credit, investing, and asset preservation. The terms daily money management, credit, investing, and asset preservation were derived from a financial curriculum arranged by First Union National Bank which is currently called Wells Fargo National Bank.

Daily money management is the wise handling of personal finances on a day-to-day basis. Daily money management entails establishing a household budget, being a saver of one's money and living within one's means.

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[18] Ibid.

When it comes to the role of credit and the importance of credit, people need to understand the differences between good debt and bad debt. Good debt helps a person build their net worth. Examples of good debt include a home mortgage or investments in a business. Bad debt is the misuse or overuse of revolving credit. Examples of bad debt include balances on store credit cards or high interest lines of credit offered by finance companies. The misuse of credit is what often causes individuals to overspend and eventually default on such spending thereby hurting their credit score and ability to borrow in the future.

The next area of financial literacy that people must become astute in is the proper planning and investing for such things as retirement and a child's college education. Many families and individuals struggle to live comfortably during their retirement years. Many families and individuals also are unable to pay for college when their children are ready to go to school. The inability to live comfortably during retirement and pay for a child's postsecondary education often is the reality when people have not planned and saved adequately for these types of lifestyle changes and events.

Finally, it is extremely important that individuals take the proper steps to preserve and protect what they have been able to acquire over time. For example, every person and family should have life insurance. Life insurance guards against financial ruin if one of the bread winners of a family dies unexpectedly or prematurely. Families and individuals should also have adequate property insurance. Property insurance is a protection from financial peril if a home is lost in a fire or a car is totaled in a wreck, for example. People also need to protect themselves by taking out a will or establishing a living trust so that

when they die, their assets will be distributed according to their wishes. This also insures that property and money which the person has worked hard to acquire over their lifetime does not fall into the wrong or unwanted hands.

All of the preceding are the key areas that will be examined in this project. The goal is to increase a person's financial literacy. If people are better equipped with the financial knowledge to manage their personal finances effectively, then there is a strong possibility that the plague of generational poverty will eventually be eradicated.

CHAPTER TWO

THE STATE OF THE ART IN FINANCIAL LITERACY

With the new financial challenges of the twenty-first century, it has become painfully apparent that if people are going to ever reach a new level of financial health, then they must gain a greater level of awareness in order to handle their finances. They also are going to need to change their perception of personal finances. In other words, it is crucial that individuals begin to take a hard look at how they handle their money on a day-to-day basis. Spending money carelessly, not setting a household budget, failing to plan for future expenses, and neglecting to establish a retirement nest egg, are a recipe for financial disaster.

The key to financial health for families in the twenty-first century is becoming financially educated. Again, poverty is rising at an alarming rate in the United States. According to the Pew Research Center's 2010 reporting, the nation's poverty rate grew to 15.1 percent. This was the third year in a row that the poverty rate grew after the US economy officially tanked in 2008. Based on Pew's most recent data, median household incomes declined in 2010. The decline in median household incomes appears to be trending. However, if an individual takes the time to learn how to properly manage the funds that they have, they will begin to acquire and build wealth. Even someone who is

earning the most modest income can find themselves, over time, beginning to acquire and build wealth, not only for themselves, but for the generations that are coming behind them.

In this chapter, the models of several prominent financial advisors will be examined. The models and philosophies that are presented will support the argument that becoming well educated in the area of financial literacy will help to curb poverty in communities across the country. This is especially true in the African American community. It is apparent that this particular demographic in the United States has a large learning curve to overcome, but not an impossible one. In his book, In the Black; Live Faithfully, Prosper financially, author Aaron W. Smith makes the case for an increase in financial literacy in the African American community: "Financial literacy is more than simply knowing the right words; it's a way of being."[1] People can get more mileage out of their resources if they simply take the time to financially educate themselves. It is widely believed by many financial planners that if a person is well versed and educated in financial matters, then they are more likely to begin building wealth for themselves and future generations. Financial literacy can be achieved at any income level.

In the book, Rich Dad's Guide to Becoming Rich without Cutting up Your Credit Cards; Turn "Bad Debt" into "Good Debt," the world-renowned entrepreneur and financial educator Robert T. Kiyosaki makes the case that each individual must begin to educate themselves from a financial perspective. He writes, "Regardless if you do well in

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[1]Aaron W. Smith, *In the Black, Live Faithfully, Prosper Financially* (New York: Harper Collins, 2009), 7.

school or not, and regardless if you go on to become a doctor or a janitor, we all need some basic financial education."[2] Kiyosaki drives the point that every person from every background must take the time to educate him or herself because we all handle money each and every day.

Review of Financial Literacy Literature

In this chapter, several financial models and philosophies of economic experts will be examined. These models and philosophies support the argument that financial literacy plays a key role in helping to overcome generational poverty both in the African American community and the country as a whole. This analysis will begin by examining the model and philosophy of Wall Street Journal author and personal finance columnist Dave Kansas.

Kansas makes the argument that since the Great Recession of the twenty-first century began people in the United States need to be aware of the fact that thrift is the new black. He goes on to make the point that the only way to ensure financial success is to pursue a personal finance plan that seeks to eliminate debt and save money. Moreover, Kansas believes everyone's first step in putting together a financial plan should include cutting personal debt and increasing savings.

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[2] Robert T. Kiyosaki and Sharon L. Letcher, *Rich Dad's Guide To Becoming Rich Without Cutting Up Your Credit Cards: Turn Bad Debt into Good Debt* (New York: Warner Business Books, 2003), 23.

Kansas makes the point that the majority of people in the United States prescribed to the old rule play now pay later. But, since the Great Recession hit its height in 2008, many Americans have started to cling to the strategy of saving more versus spending more. In order to do this, Kansas suggests that while people are more apt to save due to the recent economic downturn, they should follow a basic financial roadmap.
First, people must begin to establish a budget. Kansas suggests, "Everyone hears about budgeting, but very few people actually do it." [3]

The key is for people to keep their budgets simple to follow and understand. When a person creates a budget, they are able to determine where they are spending their money. A budget will help a person get spending under control by making sure that basic needs are taken care of first. Once an individual takes care of basic needs, they can move on to other areas of the budget, like savings or expanding spending to include entertainment and charity.

Kansas also makes the point that in order to get ahead financially, one must make the effort to eliminate credit card debt. Credit card debt is the most expensive kind of debt. So from Kansas' perspective, beginning the process of budgeting and then paying off high interest debt is the key to putting oneself in a position to begin saving. It is virtually impossible to save if a person has a large or even a marginal level of debt. Kansas' overall model is that saving is the key to financial independence. In other words debt reduction must be accomplished before savings can happen.

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[3] Dave Kansas, *The Wall Street Journal Guide To The New Rules of Personal Finance* (New York: Harper Collins, 2011), 23.

Personal financial planner Suze Orman also builds on the argument that good personal financial management requires an action plan. In the book, Suze Orman's 2009 Action Plan, Orman makes the point that in order to become financially secure, people need to be honest with themselves. This is especially true after the major economic downturn in 2008. Honesty begins when people take a hard look at where they are financially and begin to stick to a plan that can bring about prudent financial results.

Orman asserts that there are several steps to achieving a solid and stable financial future. The first step is to eliminate credit card debt. Orman makes the case that individuals and financial institutions put people's ability to pay off their credit card debt as their top concern. Orman's suggestion is to pay down or pay off this kind of debt. She adds that people who ignore their credit card debt often find that their interest rates increase.

The next step to a stable financial future is investing in a retirement plan, according to Orman's model. An effective strategy calls for getting the right investment mix in one's portfolio. This means the right mix of stocks and bonds in a person's investment portfolio based on the time that a person has before retirement.

Next, Orman asserts that people who are seeking financial stability must be just as concerned about savings as they are about curbing spending. This was a new reality that came into focus after the Great Recession of 2008. It is absolutely essential to put money into financial instruments such as certificates of deposit, savings accounts, and money market accounts. At the same time people are saving, they must also be concerned about

curbing spending. Orman suggests people only spend money on things that are absolutely necessary for an individual or family's survival. Examples of these essential expenditures include rent or mortgage, food, gas, or medical or dental insurance.

The next part of the action plan for financial security is what Orman refers to as an action plan to protect family and self. Orman urges, "Build a substantial savings account so you will be okay if you are laid off, do not go without health insurance, shop for private health insurance if you are laid off, purchase an affordable term life insurance policy if anyone is dependent on your income, and make sure you have all your estate planning documents in order."[4]

When examining the current economy in the United States, it has become more apparent that women are catching up with men by becoming either the only or the primary bread winners in a family. In the book, Women & Money, Owning the Power to Control Your Destiny, Suze Orman once again makes the case for educating oneself in the area of finances and having a very specific plan for women to begin building wealth for themselves and their families. Orman makes the point that every woman should take several steps on a monthly basis to begin learning about their financial situation and the tools that are available to help establish a solid financial foundation. There are again basic steps to a model that Orman suggests that women follow.

First, in month one Orman advises learning the ins and outs of basic checking and savings. It is crucial to open a checking account that is free of fees and excessive service

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[4] Suze Orman, *2009 Action Plan* (New York: Spiegel & Grau, 2009), 188.

charges. The next step is to open a savings or money market account that pays a high annual percentage yield. This savings account should have enough cash in it to cover up to eight months of living expenses should an unexpected emergency arise.

The next step in the model falls under the heading of credit. According to Orman, it is important for women to have at least one credit card that is in their name only. It is also paramount, Orman says, that women, "Read their monthly credit card statements when they arrive; check for mistakes and overbilling, and take note of the payment due date." [5] Orman also advises that anyone with credit card debt get serious about paying down the balance. Finally, she suggests people obtain a copy of their credit report in order to see the FICO score on an annual basis. Orman adds that people should review their reports for accuracy.

In the third month of becoming financially literate and more in tune with one's financial situation and outlook, Orman advises women to engage in retirement investing. One of the best ways to begin investing for retirement is to take advantage of an employer's 401(k) plan and contribute the maximum into the plan.

In month four of becoming more financially educated and prepared, Orman advises women to make sure that they have adequately protected themselves financially by focusing on asset protection, or what is better known as insurance. It is important for a person to protect the money that they have saved, as well as the people that they love. This is done by setting up financial instruments such as revocable living trusts, life

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[5] Suze Orman, *Women & Money: Owning The Power To Control Your Destiny* (New York: Spiegel & Grau, 2010), 114.

insurance policies and personal wills. Also these instruments must be reviewed each year in order to make sure that coverage is adequate to support a family if the primary bread winner unexpectedly passes away.

Larry Burkett, who is well-known in the personal financial literacy realm, deals quite extensively on the subject of the proper way to build financial wealth and stability. Burkett maintains that in order to establish a financial plan, an individual must do certain things. They must establish a budget, have a good handle on their debt and credit, and be prepared for the future by making sure they have the proper amount of insurance and investments.

Burkett says the foundation for personal financial stability is education. This, in Burkett's opinion, begins with establishing a budget. Burkett says, "A budget is a simple plan that divides the available income (after taxes and tithes) into common categories of spending (housing, auto, food and the like)."[6] Setting a budget and abiding by it is something that Burkett admits is difficult to do. Burkett emphasizes, if an individual or a family is going to successfully live by a budget, then they simply must make up their minds to do it. Simply put, no budget will work unless a person makes up in his mind that he is going to commit to it. So, according to Burkett, establishing a budget is the first step to attaining financial goals.

Burkett moves forward with the subject of credit, and the need for families and individuals to be extremely cautious when it comes to consumer debt. He suggests being

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[6] Larry Burkett, *Money Matters: Answers to All Your Financial Questions* (Nashville: Thomas Nelson, Inc., 2001), 31.

especially careful when it comes to the use of credit cards and the notion of revolving debt. Burkett warns that many people are now caught up in the debt spiral. Often almost one-third of people's income is tied up in paying just the interest of credit card debt. As a key component to wealth, consumers must begin to deal with this problem. It is practically impossible to build wealth in this economy if a person is straddled with overwhelming debt. Therefore, the key is to pay off one's creditors as quickly as possible. This will then free up income which can be used in other areas such as saving and investing.

Burkett goes on to point out that after an individual learns how to spend and handle debt in the proper way, they must make sure that they protect their financial future and the risks that are associated with day-to-day living. The way to do this is through the purchase of insurance. Burkett asserts that making investments in property insurance, health insurance, life insurance, and long-term care insurance can help remove the burden from a person should he find himself facing an unexpected event that could potentially lead to bankruptcy. For example, if the major wage earner of a family becomes unexpectedly ill or passes away, if there is no health insurance in place or life insurance, this could bring a tremendous financial burden to the family of the key wage earner. Insurance should be purchased to protect against such unforeseeable events.

Burkett also makes a strong argument for investing as a sound personal financial strategy. Burkett says that in order to grow one's financial portfolio, an individual must also learn how to invest money in instruments such as stocks, mutual funds, and bonds. These types of instruments help to outpace inflation. These types of instruments increase

the value of a personal portfolio. There are risks involved as well. The risks should not prevent a person from investing if one knows the risks up front, and if one has a sound investment strategy. Investing should be a key part of every individual's personal financial strategy.

Another model that warrants an in-depth look is that of financial strategists Jonathan and David Murray. The Murrays are in the wealth management business. They give individuals and families advice about saving and building wealth for the future. The Murrays have a very basic and common-sense approach to a personal financial strategy. Their strategy involves financial education.

In their book, Two for the Money, Jonathan and David Murray explain that it is important to get organized, build a budget, focus on saving more money, and make smart investment choices. The first step to setting financial goals is to simply get organized. Each month, a person must organize bills and determine how much is owed. Expenditures to include in the budget follow: groceries, entertainment, medical bills, credit card bills, mortgage, rent, utilities, and monthly travel expenses including to and from work. Once monthly expenses are determined, then it is possible to establish a budget. Murray and Murray suggest establishing a budget, paying bills on time, and balancing the checkbook are essential tasks associated with realizing financial success.

The proper place to begin to get organized when establishing a sound personal financial plan is with one's bills. Paying bills on time is paramount. In their financial model, Murray and Murray stress, people who are wealthy are "goal-oriented, pay their

bills on time, do not run credit card balances, and avoid risky debt."[7] "On the other hand, people who are careless with their finances and constantly borrow money will always be poor and will never reach their goals, no matter how much stuff they acquire."[8]

According to Murray and Murray, once the budgeting process is implemented, efforts to save on a weekly or monthly basis should be increased. The American family has the lowest rate of savings of all industrialized nations. However, it is imperative that every American begin a savings strategy as soon as possible. This is the only way for a person to begin building wealth for themselves.

The final point that Murray and Murray stress in their financial model is people need to plan for the future with a prudent investment strategy. Murray and Murray recommend establishing a realistic and achievable investment strategy. They add that it is important to seek professional help with an investment plan. Professional financial planners can provide insight and expertise to insure that the right plan is put in place. Using their steps as a guide, Jonathan and David Murray assert people will be able to achieve financial independence.

As stated previously, there are basic principles to building financial wealth. The process of building wealth must begin with education. Paul Hastings and Norbert Mietus, who are experts in the field of personal financial and economic education, make the point that starting with the basics is the key to building a stable economic future.

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[7] Jonathan Murray and David Murray, *Two for the Money: the Sensible Plan for Making it All Work* (New York: Carroll & Graf, 2006), 28.

[8] Ibid.

Hastings and Mietus explain that the key to personal financial success is to first establish a household budget. These financial experts offer the following definition, "A budget is a listing of your anticipated receipts and expenditures for a period of time in the future."[9] The budget according to Hastings and Mietus is the foundation of a personal financial plan.

Once a budget is set, their model requires a prudent plan for saving. Hastings and Mietus make the point that saving for the future should be a controlled exercise. In order to achieve this, an individual should establish a program for saving. This program should have very clearly stated goals. The goals should be easy to accomplish. There should be both long-term and short-term goals. Short-term savings' goals are necessary protection in emergency situations. For example, short-term savings are used when a washing machine breaks, when a car is in need of major repairs or when a job is suddenly lost. When it comes to long-range goals, basic examples for this type of savings are income for retirement, or the savings for a major purchase such as saving for a house, car, and college education. In order to be prepared for such purchases then an individual must have a savings program that is practiced on a consistent basis.

According to Hastings and Mietus, the next item that must be considered when building wealth is credit. They explain that when it comes to credit or borrowing money, one should borrow with caution. A person should only borrow money when it is for something that grows in value such as a home. Real estate values usually increase over

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[9] Paul Hastings and Norbert Mietus, *Personal Finance* (New York: McGraw Hill, 1972), 76.

time. In most cases before a bank lends money it demands a down payment from the borrower. The down payment creates equity which means that the borrower should owe less than what the home is actually worth. This type of debt is viewed as good debt, but the borrower should always be cautious and not overextend themselves by trying to buy a home that is not affordable.

The next point that is made regarding a wise strategy to build wealth is the importance of executing an investment plan. Hastings and Mietus explain that after a person puts together a savings plan, they should implement an investment strategy. In other words the savings that has been accumulated should then be put to work. It is important to understand that not everyone should invest. Only people who meet four qualifications should invest in the stock market. These qualifications are: availability of excess funds, knowledge of securities, ability to accept risk, and time for management. Availability of funds means that a person can invest money without disastrous consequences. What this means is that if money is lost in the market then this event will not cause a person to experience a financial hardship. Knowledge of securities simply means that one knows and understands the instruments that they are investing their money in. Ability to accept risk means that one understands that a return on investment is not guaranteed. It also means there needs to be a willingness to accept both gains and losses in the investment portfolio. Finally, people who are successful in personal financial plan management are those who have taken time to educate themselves about their finances.

In the book, Get Rich Slow, certified financial planner Tama McAleese explains that in order to become financially stable one must first establish their financial goals. McAleese explains that one must determine what is truly important to them, and this process starts by building a stable personal economic plan and then determining where one stands financially. The only way to accomplish this is to establish a budget so that one knows and understands their current financial picture. Once a person understands his current financial picture through a budget, then they can move forward to establish a reasonable financial strategy.

McAleese explains that there are several keys to establishing a plan that will help an individual grow richer over time. First, McAleese suggests, an individual must pay him or herself after getting paid. After paying oneself, an individual must "pay all other bills in order of their priority, keep remaining money set aside for future payments in an interest bearing account, develop an emergency fund, discuss and negotiate every major capital expenditure, and stick to your plan, reevaluate it on a regular basis."[10]

As the discussion of the importance of financial planning and education is expanded, financial experts G. Victor Hallman and Jerry S. Rosenbloom make the argument that personal financial planning is absolutely necessary if one is going to avoid the pitfalls of a poorly-designed financial strategy. A person must make the decision to put in place a coordinated financial plan if one is going to successfully manage and grow their money. Hallman and Rosenbloom explain that when it comes to financial planning,

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[10] Tamia McAleese, *Get Rich Slow: Still the Truth Not the Hype About What to Do with Your Money Third Edition* (Hawthorne NJ: Career Press, 1995), 45.

many people do not have a plan for making sound financial decisions. "Involved in the planning process is the development of personal financial policies to help guide a person's financial operations which include protection against personal risk, capital accumulation for emergency fund purposes, provision for retirement income, reduction of one's tax burden, planning for one's heirs, investment and property management."[11] In order to meet these objectives, a person or a family must take the time to engage in the process of financial education in these four key areas: daily money management, credit, investing, and asset preservation.

In the literary work, Get A Financial Life Personal Finance In Your Twenties And Thirties, Beth Kobliner makes the same argument regarding taking a practical and holistic approach to prudent financial management of one's resources. Kobliner raises the issue that in order to be a sound financial manager of one's financial resources then a person must maintain a grip on his financial life. This can only be done by managing personal debt, investing, and understanding the value of protecting one's assets through insurance.

Kobliner makes the argument that in order to establish a realistic and obtainable financial plan; a person must first get a handle on their spending, or understand where there money is going each month. It is suggested that a person keep a "spending diary for one month so that you can get a clear sense of exactly where your cash goes."[12] In short,

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[11] G. Victor Hallman and Jerry S. Rosenbloom, *Personal Financial Planning fifth Edition* (New York: McGraw Hill,1993),.5.

[12] Beth Kobliner, *Get A Financial Life: Personal Finance In Your Twenties and Thirties* (New York, Fireside, 2009), 16.

Kobliner is making the point that setting a budget is the first step in establishing a financial plan. The next step is to determine how much debt one has. Eliminating debt is key when endeavoring to get on the road to setting obtainable financial goals. There are three basic principles that all people should govern themselves by when it comes to the subject of debt and how to effectively manage it. These principles are: paying off debt as quickly as possible, paying bills on time, and not being afraid to speak to or engage one's lender. Each of these steps must be taken if an individual is going to effectively manage and eventually eliminate the debt they owe to creditors.

The next step to obtaining a solid financial plan is to invest one's money wisely. Kobliner explains, "No matter what's happening in the stock market, once you have enough to cover your living expenses and are getting started on your emergency cushion, you should at least learn the basics of investing."[13] Kobliner suggests investing in mutual funds and retirement savings plans offered through employers such as 401(k) plans.

The next issue that must be addressed when dealing with personal finance is the important step of protecting personal assets. The most effective way to protect assets is through insurance. It would simply not make sense to spend a tremendous amount of time educating oneself on personal finances, spend time managing one's money in a prudent and reasonable manner, just to turn around and lose one's financial capital all because of poor planning in the area of asset preservation. The best way for most people to protect their financial position is to purchase insurance. Three of the most popular and reasonable

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[13] Beth Kobliner, *Get A Financial Life Personal Finance In Your Twenties and Thirties* (New York: Fireside, 2009), 101.

ways to protect financial assets is the purchase of health, life, and property insurance. Insurance helps to protect individuals and families if the primary breadwinner of the family unexpectedly passes away.

When it comes to financial literacy, it is also important that people begin to understand that learning how to budget, spend, save, and protect one's financial assets must begin during childhood and adolescent years.

Susan Shelly's book, The Complete Idiot's Guide to Money for Teens, stresses the fact that financial literacy should be a key educational component during the teenage years. Shelly starts out by saying that money is important because a person needs it for just about everything. Shelly explains, "Just stop for a minute and think about the role that money plays in your life."[14] Shelly goes on to say that kids in America should know the basics when it comes to budgeting, savings, and investments. She also makes the case for preserving wealth.

Learning to budget at an early age is imperative to setting a person on course to a more worry-free financial picture. Understanding daily money management puts kids on track to be in better control of their finances, Shelly states. If a young person learns the importance of maintaining a budget and not overspending, then this habit will last them for the rest of his life. The key to a sound budget is to list and take care of necessities first, and then focus on non-essential items such as entertainment and eating out. Shelly also makes the point that it is crucial that a younger individual learn how to save and

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[14] Susan Shelly, *The Complete Idiot's Guide to Money for Teens* (Indianapolis: Alpha Books, 2001), 3.

invest their money so that when they get older they will have an adequate source of money when they really need it. This is true especially in the case of retirement. The sooner a person starts saving and investing then the greater chance they have to grow their assets for future use and needs.

When it comes to savings, Shelly suggests a person should pay themselves first and then manage other financial obligations such as a car note or even new clothing for school. One of the best ways to start saving is to open a checking or savings account. A young person should also consider opening a certificate of deposit or purchasing savings bonds as a route to establishing a consistent form of savings. The next area of financial education that a young person should focus on is credit. This is the area where a major portion of education is needed so that the pitfalls of credit can be avoided. Many younger individuals fall victim to establishing unfavorable credit histories because they are not educated on the proper use of credit.

The final area of education is in the area of investing. Young people must be introduced to the fact that there are various financial instruments that can be used to achieve both short-term and long-term financial goals. The financial instruments that can be invested in are mutual funds, individual stocks, and bonds. The point that Shelly makes is that a teenager should not just rush out and immediately start investing. A person must take the time to become educated on the advantages and pitfalls of investing because there are various rewards and risks when it comes to investing money due to the fact that the money is not federally insured. The best way for wise financial management to take place is for a person to take the time to understand how money works and to

utilize the proper tools that will help an individual reach their financial goals. Shelly believes that the best way to accomplish one's financial goals is to begin learning the correct concepts to money management when a teen.

The author of this project has a similar model for financial literacy when compared to model of other experts that have previously been mentioned. First it is extremely important that a person establish a common sense household budget as the first step in gaining control of their financial affairs. A budget gives an individual a very good perspective on how much money they are spending each month and what areas of spending can either be decreased or simply avoided all together. The next step of the financial model must be the reduction and elimination of unsecured and revolving debt such as high interest credit cards. The third step of the model is to begin a regular savings plan where an individual saves at least ten percent of their take-home pay. The fourth step of the model is to invest a portion of income for future expenses such as paying for a child's education and planning for a secure retirement. Investing can be accomplished by investing in stocks, bonds, mutual funds, treasury bills, and 401-K retirement plans. The fifth and final step of the model is to protect assets. Every person regardless of their financial state must purchase the proper insurance in order to protect against a catastrophic loss of assets. To reach this goal it is important to sit down with a fully trained and licensed insurance specialist. An additional part of this fifth step is for an individual to take out a will or a personal trust which can provide financial protection both during a person's lifetime as well as after a person is deceased. The author believes

that this five step model is the best way to build financial wealth overtime which can be passed down from generation to generation.

African American poverty can be overcome; and the Church is the Lynchpin. Again, in order to overcome the current trends of increasing poverty within the African American community and through the American landscape, people must begin to rethink how they use and handle money. Long gone are the days when a person can just earn money and then spend or even save and invest it without having a financial plan and a good understanding of how money works in both their personal life and the overall economy.

The models that have been discussed in this chapter lend support to the fact that financial literacy is of the utmost importance if people are going to begin to take control of their finances on a broader basis. This means that a total approach to financial literacy must be undertaken. People must understand how to use and handle their personal finances on a daily basis. They need to know all there is to know about managing their credit and investments on a long-term basis through protecting their assets with financial instruments such as life insurance and personal wills.

One of the greatest opportunities to increase financial literacy is through the church. The church is the lynchpin. The church must begin to teach its congregants how to properly handle personal finances. When this type of education begins to take place within the security of the four walls of the church, and even beyond those walls, there is

an opportunity to reach a broad group of people starting with the young and leading up to the most senior people in the community.

The African American church is still seen as the center of the community where real change can be affected. Therefore the church must utilize its position to begin turning around the desperate problem of seeing one generation of African Americans after another suffer from the lack of financial resources and financial education. Once this begins to take place on a national basis, and the African American Church begins to introduce financial education on a wide scale, then this particular community will begin to see a decrease in generational poverty over time. Pastors and lay leaders alike must begin to teach financial principles to their congregations because the future of the community and the church depends on it.

CHAPTER THREE

THEORETICAL FOUNDATIONS

Biblical Foundation

There is a definite need in the community of faith to be good stewards over the resources with which God has blessed us. What better place than the Church, the institution that God established, as the place to begin teaching people the necessities of planning wisely for the future.

God has many examples of what it means to be wise in terms of financial planning and wealth. The first example that will be examined is the person of Joseph in Genesis 41 as he helps Pharaoh avoid a potentially cataclysmic disaster when the country of Egypt is faced with an impending famine. The second example of stewardship to be examined will focus on the importance that the Word of God places on being a shrewd manager of one's resources in Luke 16.

This is the analysis of Joseph's interpretation of Pharaoh's dreams as found in Genesis 41:17-40.

> Then Pharaoh said to Joseph, "In my dream I was standing on the bank of the Nile, when out of the river there came up seven cows, fat and sleek, and they grazed among the reeds. After them, seven other cows came up scrawny and very ugly and lean. I had never seen such ugly cows in all the land of Egypt. The lean ugly cows ate up the seven fat cows that came up first. But even after they ate

> them, no one could tell that they had done so; they looked just as ugly as before. Then I woke up. In my dreams I also saw seven heads of grain, full and good, growing on a single stalk. After them, seven other heads sprouted withered and thin and scorched by the east wind. The thin heads of grain swallowed up the seven good heads. I told this to the magicians, but none could explain it to me. Then Joseph said to Pharaoh, "The dreams of Pharaoh are one and the same. God has revealed to Pharaoh what He is about to do. The seven good cows are seven years, and the seven good heads of grain are seven years; it is one and the same dream. The seven lean, ugly cows that came up afterward are seven years, and so are the seven worthless heads of grain scorched by the east wind: They are seven years of famine. It is just as I said to Pharaoh: God has shown Pharaoh what He is about to do. Seven years of great abundance are coming through the land of Egypt, but seven years of famine will follow them. Then all the abundance in Egypt will be forgotten, and the famine will ravage the land. The abundance in the land will not be remembered, because the famine that follows it will be so severe. The reason the dream was given to Pharaoh in two forms is that the matter has been firmly decided by God, and God will do it soon. And now let Pharaoh look for a discerning and wise man and put him in charge of the land of Egypt. Let Pharaoh appoint commissioners over the land to take a fifth of the harvest of Egypt during the seven years of abundance. They should collect all the food of these good years that are coming and store up the grain under the authority of Pharaoh, to be kept in the cities for food. This food should be held in reserve for the country, to be used during the seven years of famine that will come upon Egypt, so that the country may not be ruined by the famine. The plan seemed good to Pharaoh and to all his officials. So Pharaoh asked them, "Can we find anyone like this man, one in whom is the spirit of God?" Then Pharaoh said to Joseph, "Since God has made all this known to you, there is no one so discerning and wise as you. You shall be in charge of my palace, and all my people are to submit to my orders. Only with respect to the throne will I be greater than you."

The basis for this text is that there is an impending danger that is facing the country of Egypt. Pharaoh has been given two dreams by God. Pharaoh is alarmed because Pharaoh cannot determine the meaning of the dreams. The great patriarch named Joseph is called upon to interpret the dreams because he has developed a reputation as a person in Egypt who has an incredible ability for dream interpretation. At the onset of this passage of scripture, the dreams that Pharaoh is burdened with deal with the economy of Egypt and a plan of survival that will need to be developed if the country is going to survive a drastic and sudden economic downturn. Pharaoh is not aware of what

the true messages of the dreams are. However through God's divine providence, Pharaoh is given the person who God selected to save Egypt. Subsequently, the future destiny of Israel is given a chance to be put in front of the king of Egypt.

When Pharaoh calls Joseph to the palace, Joseph immediately begins to explain the meaning of the king's dreams. Also, as Joseph approaches Pharaoh, we must remember that Joseph is accredited this ability to interpret dreams to God or Yahweh.

In verse seventeen, the scripture begins again by relating the fact that Pharaoh starts to tell the troubling dreams to Joseph. Pharaoh informs Joseph that while standing on the bank of the Nile River, there appeared seven cows that were fat and sleek and they grazed among the reeds of the river. Then after the fat cows appeared, seven other cows appeared. This second group of cows was scrawny, ugly, and lean. Pharaoh relates that literally Pharaoh "never saw such as these in all the land of Egypt." In other words, the scrawny, ugly, and lean cows were extremely bad."[1] The lean and ugly cows then proceeded to eat the seven fat cows that appeared first in Pharaoh's dream. Despite having just eaten the fat cows, the scrawny, lean, and ugly cows did not change in appearance. These scrawny cows looked just as bad as they had previously looked. There was no apparent physical change in the lean cows. Pharaoh then explains a second dream. In the second dream Pharaoh saw seven heads of grain, which were healthy and growing on a single stalk. But then seven other heads of grain sprouted up that were withered,

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[1] H.D.M. Spence and Joseph S. Exell, eds., *The Pulpit Commentary* (Peabody: Hendrickson Publishers), 462.

thin, and scorched by the east wind. The thin heads of grain swallowed up the seven healthy heads of grain.

Pharaoh then pauses to inform Joseph that after having such a troubling dream none of the professional interpreters attached to the court could give any idea of the dream's meaning. After hearing the king explain what was in the dreams, Joseph begins to inform the king "that the two dreams signified the same thing."[2] The dreams are one and the same. Joseph informs Pharaoh that Yahweh has informed Joseph of what He is about to do "(literally what Elohim is doing)."[3] Joseph informs the Pharaoh that the seven fat cows and the seven full heads of grain point to seven years of prosperity in Egypt. The healthy cows and grain are one in the same. The seven years of abundance and prosperity for the nation are definitely going to take place in the near future. However, after the seven years of prosperity and growth for the nation, there was going to come seven years of lack and famine where any memory of earlier prosperity would be wiped away from the minds of the people of Egypt. This is what the seven scrawny, lean, and ugly cows represented. It is also what was represented by the seven heads of scorched grain. Seven years of bad times or a famine would follow the seven years of growth. This downturn would severely damage the Egyptian economy and the morale of the people. Egypt had a major agricultural base at this time, but due to the approaching famine, no crops would

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[2] Reverend Dr. Leslie F. Church ed., *The NIV Matthew Henry Commentary in One Volume* (Grand Rapids: Zondervan Publishing House, 1992), 64.

[3] H.D.M. Spence and Joseph S. Exell, eds., *The Pulpit Commentary* (Peabody: Hendrickson Publishers), 463.

grow. Egypt, as well as surrounding territories, would find themselves without any food at all which would certainly bring about an epidemic of starvation. Again, "the two dreams signified the same thing, but the repetition was to denote the certainty, the nearness, and the importance of the event."[4] The seven years of great abundance followed by the seven years of famine will ravage Egypt. These events have been set in motion by Yahweh and Joseph informs Pharaoh that these events will definitely take place.

"Joseph not only interprets the dreams as predictions of seven years of abundance followed by seven years of famine (Genesis 41:28-32); he also suggests a policy to deal with the future (vv.33-36)".[5] Joseph suggests to Pharaoh to appoint a wise and prudent person to provide leadership over the emergency and the country so that the proper steps can be taken to avert such a calamity. Joseph does so because a famine was definitely on the way. God had already set the wheels of the disaster in motion. Joseph suggests the king appoint commissioners who will take a fifth of all of the farmer's harvest during the seven years of abundance. The harvest that would be taken would be grain and corn. Over the course of the seven good years of production, this fifth of the crops would be saved and stored under the authority of Pharaoh in the cities of Egypt. The food that would be stored and saved would be used to feed the country during the seven bad years of famine. This would save the nation from death and starvation.

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[4] Reverend Dr. Leslie F. Church ed., *The NIV Matthew Henry Commentary in One Volume* (Grand Rapids: Zondervan Publishing House, 1992), 64.

[5] James L. Mays ed., *Harpers Bible Commentary* (San Francisco: Harper Collins Publishers, 1988), 119.

All of these actions were being orchestrated by Yahweh. The dreams of Pharaoh and Joseph's ability to interpret the dreams were part of Yahweh's plan to save Egypt and preserve Yahweh's promise made originally to Abraham that the nation of Israel, Abraham's descendants, would be the cradle of salvation and the instrument used by Yahweh to bring the Son of God to earth in order to save humanity from sin.

After the advice is given to Pharaoh and the advisors, Pharaoh is pleased with Joseph's interpretation of the dreams and Joseph's plan to save the country. Pharaoh then asks the advisors if they can find anyone with Joseph's wisdom and the spirit of God like Joseph displayed. Pharaoh then reasons to that since Joseph's God has made all of these things known to Joseph, there is no one else in Egypt who is as wise. Therefore Pharaoh puts Joseph in charge of administering the plan that God gave in order to save the country from the great famine that was going to take place after the seven years of growth and prosperity. Pharaoh puts Joseph in charge of the palace and decrees that all the people of Egypt are to submit to Joseph's orders. Pharaoh goes on to declare that only in respect to the throne will Pharaoh be greater than Joseph, meaning: "only as to the throne" which means that Joseph will now be second in command and the most powerful person in the nation outside of Pharaoh.[6] In this section of the scripture, Yahweh used Joseph by making this advice to Pharaoh appear reasonable and cohesive.

> The very thought that the nation could suffer economic collapse due to famine was frightening. The advice by Joseph was sound. Even if the famine never came,

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[6] H.D.M. Spence and Joseph S. Exell, eds., *The Pulpit Commentary* (Peabody: Hendrickson Publishers), 463.

> the government could not lose. They would own all the grain in storage, and they could export it to other nations.[7]

Yahweh had given Joseph a completed vision to plan wisely and conserve the nation's resources for a future crisis, which would help Egypt avoid an economic disaster and political destruction. This plan would also save neighboring people and nations that shared a boarder with Egypt.

From a New Testament standpoint there is a second portion of scripture that is consistent with the truth that the Word of God has much to say about wise planning for the future and being a good manager of one's assets. This scripture again comes from Luke 16:1-9. This scripture is commonly given the title "The Parable of the Shrewd Manager," and it has this to say about the necessity of being wise regarding one's resources according to the New International Version of the Bible.

> Jesus told his disciples that there was a rich man whose manager was accused of wasting his possessions. So he called him in and asked him, "What is this I hear about you? Give an account of your management because you cannot be a manager any longer." The manager said to himself, "What shall I do now? My master is taking away my job. I'm not strong enough to dig, and I'm ashamed to beg. I know what I will do so that, when I lose my job here, people will welcome me into their houses." So he called in each one of his master's debtors. He asked the first, "How much do you owe my master?" "Eight hundred gallons of olive oil," he replied. The manager told him, "Take your bill, sit down quickly, and make it four hundred." Then he asked the second, "And how much do you owe?" "A thousand bushels of wheat," he replied. He told him, "Take your bill and make it eight hundred." The master commended the dishonest manager because he acted shrewdly. For the people of this world are more shrewd in dealing with their own kind than are the people of the light. I tell you use worldly wealth to

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[7] Leadership Ministries Worldwide, *The Preachers Outline and Sermon Bible* (Chattanooga: Alpha Omega Ministries, 1998), 325.

> gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings.

This particular scripture is one of the most difficult scriptures in the entire Bible to interpret. It is a lesson on using one's assets wisely. It appears from just a general reading of this parable that Christ is commending the underhanded business dealings of a particular business manager. In reality, Christ is teaching the disciples and the church about the importance of being wise or instituting shrewdness when it comes to the use of money.

The text begins with Jesus speaking to the disciples and telling them a story to prove a point about worldly wealth. Jesus quickly introduces the two main characters of the story informing the audience that there was a rich man who, for some reason, accuses a particular manager who has been put over the management of the rich man's estate of wasting possessions. This manager "had extensive authority over the rich man's financial affairs, even the ability to make contracts in the master's name."[8] What is very clear from Jesus' point of view, based on Jesus' earlier teachings about being faithful, is that a manager of this sort should be a person that acts only on the basis of loyal integrity. The manager in the parable is very untrustworthy. "He was thoroughly dishonest."[9] A major point that must also be made is that based on the manager's position it was easy for the manager to use the rich man's possessions for the manager's own gain. Christ goes on to inform the disciples that after the rich man is somehow informed of the manager's

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[8] Bruce Barton, Phillip Comfort, Grant Osborne, Linda K. Taylor, and Dave Veerman eds., *Life Applications New Testament Commentary* (Wheaton: Tyndale House Publishers, Inc., 2001), 322.

[9] Ibid.

embezzlement of his assets, the rich man calls the manager in. The course of action that would be taken is that "the rich man would strip the manager of his authority, but first he required that the manager prepare the documents.[10] The manager had to prepare an accounting of management activities for the rich man to review. This would take some time, and the manager used this time to an advantage.[11]

The manager at this juncture knew that the manager was guilty of embezzlement, and also that the position was going to be terminated once the misdeeds were verified. The manager pondered the next course of action.

> He reasoned out two courses of action. He could dig. However, he was not willing to dig or be demoted to a field laborer and to serve in such a low capacity. The other option that the manager was immediately faced with was the possibility of begging. However he was too proud to leave his master and openly beg. Faced with this dilemma the manager decided on what his next step should be. The manager came up with a plan whereby others would take care of him. By playing upon the code of reciprocity, the manager could find food and housing and possibly a job from those whose debts were reduced.[12]

What the manager does at this point in the parable is very much debated. It is not exactly clear what the manager does in order to save and protect finances since the manager will soon be out of a job, because the rich man has every intention of firing the manager once the accounting report is received.

> However, it is the general understanding by most biblical scholars that what the manager proceeds to do is calling those who owed the rich man money and

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[10] Ibid.

[11] Bruce Barton, Phillip Comfort, Grant Osborne, Linda K. Taylor, and Dave Veerman eds., *Life Applications New Testament Commentary* (Wheaton: Tyndale House Publishers, Inc., 2001), 322.

[12] Ibid.

> "permitted falsification of the amounts owed his master. The manager was acting shrewdly in figuring out a way to put his master's debtors in his own debt. The debts here involved are very high, thus these probably would have been commercial transactions - perhaps involving lease agreements on pieces of land. The manager summoned all his master's debtors and reduced their debts by a substantial amount. In this fraudulent way, the manager earned their good will. Once the debts had been dishonestly reduced, the master could do nothing, but social custom would require these debtors to reciprocate such kindness to the manager."[13]

This next section of the parable is why this particular passage of scripture has caused so much misunderstanding and controversy in understanding the true meaning of what Christ is trying to get his disciples to understand. It seems at this point in the story that Jesus is commending the actions of the manager in terms of the dishonesty in reducing the debts that were owed to the rich man or the master. Matthew Henry reports, "He does not commend him because he had been false to his master, but because he had done wisely for himself. In verse 8 the lesson is that the sons of this world are wiser in their generation than the sons of light."[14]

The point to see in this passage of scripture is not the underhandedness or dishonesty of the manager but the shrewd way the manager handled this situation as it relates to wealth. Christ is making the point that the "worldly are more wise in their material pursuits than God's people are in their spiritual pursuits."[15] Jesus says that the manager acted shrewdly. "The manager had cut down the debts, legally made them

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[13] Bruce Barton, Phillip Comfort, Grant Osborne, Linda K. Taylor, and Dave Veerman eds., *Life Applications New Testament Commentary* (Wheaton: Tyndale House Publishers, Inc., 2001), 322.

[14] William Barclay, *The Daily Study Bible Series: the Gospel of Luke* (Philadelphia: The Westminster Press, 1975), 208.

[15] Leadership Ministries Worldwide, *The Preachers Outline and Sermon Bible* (Chattanooga: Alpha Omega Ministries, 1998), 325.

binding with a third party, and indebted others to him. Thus, there was nothing left for the master to do than to commend the manager for his shrewdness."[16] The manager solved the problem of financial security for the future at the expense of the rich man or the master. But, this commendation seems strange to students of the bible and keen believers who find it difficult to believe that something of value could be learned from observing the foul actions of a dishonest person.

However the case must be made clear that Jesus is not commending the manager's dishonesty. Jesus simply wants the disciples to learn from the manager's shrewd financial practices. The key lessons are that the manager looked out for self. In looking out for one's self, that is the future financial welfare, the manager was very wise. Not only was the manager wise in looking out for self, but "he was dedicated and sold out to taking care of his future."[17]

Again, "Jesus was not commending dishonesty, but rather Jesus is highlighting the manager's foresight. The manager did not profit directly in reducing the debts, but he used the principle of reciprocity to gain favor with the debtors. By doing a favor for them, the manager could require a favor from them."[18] Jesus is making the argument that people who have their minds and spend their time on worldly pursuits are shrewder in

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[16] Bruce Barton, Phillip Comfort, Grant Osborne, Linda K. Taylor, and Dave Veerman eds., *Life Applications New Testament Commentary* (Wheaton: Tyndale House Publishers, Inc., 2001), 322.

[17] Ibid.

[18] Ibid., 323.

dealing with the subject of wealth than believers or the disciples. The reason that this is true is because people of the world spend a great deal of time and energy on managing wealth with a high level of shrewdness and an eye for detail.

The other point that Jesus is making within this parable is that material assets and a person's wealth along with their resources should be used for good which in turn helps to advance the Kingdom of God. Jesus makes the final case that the Christian should not hoard money or seek wealth just for the sake of claiming wealth as some sort of prize that is to be paraded and flaunted for some sort of material gain or worldly admiration. Jesus states again in verse 9, "I tell you, use worldly wealth to gain friends for yourselves, so that when it is gone, you will be welcomed into eternal dwellings (NIV)."

The key lesson is: "if Believers use their money to help those in need or to help others find Christ, their earthly investment will bring eternal benefit."[19] The focus of the overall message of this text is to be a good and wise manager of what God has placed in one's hands. Because of the love a believer has from Christ, then this love should transfer into wise management of all areas of one's life including but not limited to the subject of money and wealth.

When we take both of these texts and look at their meanings in relation to community and family, it is evident that God expects that a person will plan effectively for the future and be very shrewd and wise in protecting the resources with which one has

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[19] Bruce Barton, Phillip Comfort, Grant Osborne, Linda K. Taylor, and Dave Veerman eds., *Life Applications New Testament Commentary* (Wheaton: Tyndale House Publishers, Inc., 2001), 323.

been entrusted. In Joseph's case, when Pharaoh was troubled with the dreams of the seven fat cows and seven poor cows along with the seven good heads of grain and the seven withered heads of grain, this was a lesson on managing assets wisely and being prudent in planning for the future.

When we look at our current economy, it is evident that it undergoes a series of cycles. There are times when the economy is doing relatively well, when a tremendous abundance of jobs and economic prosperity is the order of the day. These are the times when we say in the faith community that the world or nation is going through a season of plenty.

However, there are down cycles in the economy as well. These are the times when jobs are few and money is tight. These are times when the stock and bond markets lose value and there is depreciation in the value of real property.

In the example of Genesis 41, Joseph was very wise in planning for the future downturn of Egypt's economy due to the impending famine that would soon come after seven years of growth and prosperity for the nation. Joseph stored away food so that the nation would not starve to death. Joseph advised Pharaoh to set aside part of the harvest for the future calamity that would eventually devastate the country.

We can learn a great lesson from Joseph. In the very same way an individual or family living in today's economy realize the basic need of planning ahead, so did Joseph talk about planning ahead for the downturn in Egypt's economy. Therefore a person must look at savings and the wise investments of assets so that they will not be destroyed

during difficult cycles economically. Setting aside a portion of one's income in preparation for future expenses such as retirement, college tuition, unexpected emergencies and even an unexpected downturn in the economy is a great strategy for personal asset growth.

It is also important to understand that the basis for wise management of assets comes from having a shrewd management mindset of assets. Though the shrewd manager was dishonest in business practices, we can still learn a great deal from this example of shrewdness. The manager used time wisely. The manager also exerted a great deal of energy thinking about how to overcome the loss of income due to the impending firing and still thrive financially. As the church, it is important for every believer to take this lesson and use it for good. We must be concerned about our future and economic survival. Everything we do now affects future generations. We must be willing to use our financial leverage for good, helping others in our community who are in need. When we help others in need, not only do we thrive individually, but we also strengthen the community. Therefore, wise planning and management of assets are definite practices that each person who seeks to please God must take part in.

In today's society, it is absolutely critical that the church understand that it has a tremendous role in helping to educate individuals and families about the subject of finances. We have a role first and foremost to teach people in the church the value and role of salvation granted by a loving and merciful God through Jesus Christ. However, it must also be stated that the church bears a tremendous responsibility to teach people how to live and function well in everyday life. This has been especially true in the black

church. As an African American pastor whose congregation is 100 percent African American in a section of a city that is plagued with problems like gang violence, elevated high school drop-out rates, and substantial poverty, a tremendous fact has become obvious. If the church or the black church does not seek to address these problems, then who will?

Therefore it is imperative that work is done in the area of financial literacy. If this is done within the church, then over time the overall financial security of people will begin to improve. As it relates to financial literacy and the importance of people beginning to place an emphasis on their financial well-being there are two more areas that must be evaluated: the historical and theological foundations of money management.

Historical Foundation

Historically the church has understood that the Word of God teaches that a person is to be a good steward over what has been placed in his care. In fact, everything that one has, or has obtained during their lifetime, belongs to God. A person is expected to be a good steward over what one possesses. When one looks at assets such as real estate, personal property, financial investments, and even one's personal income, the Word of God teaches that a person is expected to wisely manage those assets and even grow those assets. This is very well-documented in the twenty-fifth chapter of Matthew in the "Parable of the Talents" when a man entrusted servants with property and went away on a journey. In the man's absence the servants were expected to manage the man's property and even invest the property so that the property would grow in value. To simply take the

man's property and just bury it in the ground would be considered unwise and counterproductive which is exactly what one of the servants proceeded to do. The teaching of wisely managing assets has been well understood by Christians over the centuries. However, putting this model into practice by the church has unfortunately not been well received or taught by the church on a broad basis. In other words, when it comes to the subject of money management and personal financial education there has not been a watershed moment until recently. Over the last 40 years, the church has finally seen the need and has begun to place a greater emphasis on teaching people about how to effectively manage money and wealth.

When looking at the subject of financial literacy from an historic basis, the church has both taught, and to an extent understood, that everything comes from God. The church also understands that whatever we acquire during this lifetime still belongs to God and we are only stewards to care for God's creation while we are on this earth. Therefore, we are to take what God has given us and use it wisely by growing or increasing the value of assets, spending assets wisely, sharing assets with others, and making sure that assets are passed along to future generations so that those who follow will not be left to start out in life with no financial foundation.

However, since there has been a lack of concrete models to examine over history as it relates to personal financial education in the church, during this analysis a different approach will be taken. The first two models regarding financial education that will be examined will come from the areas of public education on both state and national levels. The third model that will be examined will come from the church or what is better known

today as the Christian community. After evaluating these models one will have a better idea of why it is so important for the church to begin providing financial literacy.

The first model that will be evaluated will be Wisconsin's Model of Academic Standards for Personal Financial Literacy that has been developed through the Wisconsin Department of Public Instruction. Based on research conducted by the Wisconsin Department of Public Instruction, students who are enrolled in the state's school system need a stronger foundation when it comes to personal financial education. It was reported that 80% of students in high schools worked or had jobs and nearly one third had personal checking accounts and credit cards in their own names. In terms of adults in Wisconsin, there has been a major increase in the last decade of the twentieth century in the use of non-traditional credit products that have annualized interest rates of 300% to 1,000%. Also personal bankruptcies had increased 105% over a 15-year time period. The department reports, "These facts contribute to the need for a more focused approach to personal finance instruction for students, both while they are in school and in the future."[20]

Based on these findings the Wisconsin Department of Public Instruction proceeded to put in place a model of financial literacy for students that covered the following areas of personal financial literacy that starts in grade four with the model being completed in grade twelve. Included in this model are relating income and education, money management, credit and debt management, saving and investing,

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[20] Wisconsin Department of Public Instruction, *Wisconsin's Model Academic Standards for Personal Financial Literacy* (Madison, 2006), 19.

becoming a critical consumer, community and financial responsibility, and risk management. Each of these areas of financial literacy will be examined. It is also important to note that each of these core areas of financial education are given performance standards or markers that are to be reached by a student in the fourth, eighth and twelfth grades of the student's academic career.

We will begin our analysis by looking at the first core area of education which is relating income and education. The model states that from a content standpoint for this area:

> Students in Wisconsin will understand the relationship between education, income, career, and desired lifestyle and will develop the planning skills needed to achieve desired financial goals. The rationale for this type of training is that establishing short-range financial goals is an essential part of financial literacy. The goal is to develop a clear understanding of the interconnectedness of educational attainment, career choice, entrepreneurial attitudes, economic conditions, and the desired lifestyle which will help to shape goals and increase the likelihood of reaching a student. In summary as it relates to performance standards for this core area of financial literacy it is the goal of the program that by the end of grades four, eight and twelve that students will understand how career choice, education, skills, entrepreneurship, and economic conditions affect income. The third and fourth goals of this area is that students are able to explain how income affects lifestyle choices and spending decisions as well as explain how taxes and employee benefits relate to disposable income.[21]

The second core area for the plan is called money management. The content standard for this area is:

> For students to manage money effectively by understanding and developing financial goals and budgets. The entire rationale for Money Management is to help students develop into financially responsible citizens. This is done by learning how to plan, develop, use, and maintain a personal budget which is the

[21] Wisconsin Department of Public Instruction, *Wisconsin's Model Academic Standards for Personal Financial Literacy* (Madison, 2006), 22.

> first step in being able to make quality financial choices and decisions. The Department in this area of financial literacy believes that having the ability to positively apply money management skills, set financial goals, and understand effective cash flow strategies which are the next steps in allowing students to be responsible consumers. The performance standards for this area for grades four, eight and twelve are as follows: having the ability to use money management skills and strategies, knowing the purpose and services of financial institutions, developing a financial vision based on an examination of personal values, and understanding the history, purposes, roles, and responsibilities related to taxation.[22]

The next core area of financial literacy that is covered in this model is the area of credit and debt management. The content standard for this area is for students to:

> Make informed decisions about incurring debt and to manage indebtedness to remain both creditworthy and financially secure. The rationale for promoting this area of financial education is because most people incur debt and seek credit for major purchases such as a home, car, education, and/or business. Understanding the role that credit and debt management plays in a person's overall financial health will lead to a person's ability to choose the most advantageous sources and forms of financing. It is essential to make informed decisions when incurring debt, understanding true costs of credit, and developing skills for managing existing debt. The performance areas that students should have mastered by the end of grades four, eight and twelve is to identify and evaluate credit products and services, identify and compare sources of credit, identify and evaluate interest rates, fees, and other charges, interpret credit sources and reports, calculate the cost of borrowing, explain the rights and responsibilities of buyers and sellers under consumer protection laws, understand how to leverage debt, describe the implications of bankruptcy and analyze the pros and cons of high cost alternative financial services."[23]

The next core area of the financial literacy model is planning, saving, and investing. The content standard for this area is for students to:

> Understand the value, features, and planning processes associated with saving and investing, and being able to apply this knowledge to long term financial security

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[22] Wisconsin Department of Public Instruction, *Wisconsin's Model Academic Standards for Personal Financial Literacy* (Madison, 2006), 24.

[23] Ibid., 26.

> and wealth. The rationale for exposing students to this area of financial literacy is to expose students to the fact that financial institutions, investment options, avenues for financial research, economic history, performance of investments, and the appropriate application of basic economic principles are all essential features of planning, saving and investing. The performance standards for this area is to help students apply strategies for creating wealth/building assets, match appropriate financial services and products with specified goals, describe relationships between saving and investing, apply the concepts of supply and demand to stock market price changes, and to demonstrate ability to use decision-making processes in making financial decisions related to planning, saving and investing.[24]

The next core area of financial education that is mentioned in the model from Wisconsin is the importance of becoming a critical consumer. The content standard for this area is to train students to understand and utilize consumer resources, and then make responsible choices by applying economic principles. The key rationale for this area of financial education is to help students understand the role of contextual factors and the importance of knowing their rights and responsibilities as consumers. The performance standards for this area of finance is to: "Understand the impact of contextual factors associated with consumer decision making, investigating the purposes, strategies, and effects of various business practices – including sales schemes and scams, understanding the cost of interest rates and fees associated with financial services, understanding that verbal contracts are binding agreements, and examining the impact of socio-cultural norms and demographics related to money, saving and spending."[25]

The final core area of financial literacy and education for the Wisconsin model includes financial responsibility and risk management. The content standard for

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[24] Wisconsin Department of Public Instruction, *Wisconsin's Model Academic Standards for Personal Financial Literacy* (Madison, 2006), 30.

[25] Ibid., 32.

community and financial responsibility is to help students "understand the personal and social impact of their own financial decisions within the family, the local community, and the global community as well as understand the ethical and legal issues related to income, profit and personal wealth."[26] The rationale for this area of education is to promote the need for a greater sense of responsibility to the broader community. By the end of grades four, eight and twelve the goal is for the student: "to understand factors that affect citizen financial decisions and actions, to practice skills related to fiscal responsibility and personal decision making, to integrate and apply financial knowledge-attitudes-skills, and to understand the interdependent role of government-business-consumer-and personal finance in the economy."[27]

The last area of the model, risk management, is extremely important for all students to grasp. The content standard for this area of education is to help students understand the role of insurance as it relates to financial planning. The rationale for exposing students to this area of finance is to help promote the understanding that "unexpected financial losses or needs can affect the financial status of an individual or family for years."[28] Therefore certain safeguards such as personal, commercial and business insurance is paramount in protecting one's net worth and assets. The goals or performance standards for this area help students: "understand the nature of personal financial risk and the importance of protecting against financial loss, examine the need

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[26] Wisconsin Department of Public Instruction, *Wisconsin's Model Academic Standards for Personal Financial Literacy* (Madison, 2006), 34.

[27] Ibid.

[28] Ibid., 38.

for and value of various types of insurance within the life cycle, and integrate and apply concepts related to personal financial risk-protection from loss-financial planning.[29]

The second institutional model that will be examined is a personal financial model that was introduced by the Jumpstart Coalition for Personal Financial Literacy which is a 501C-3 non-profit organization in Washington, D.C. Jumpstart came into existence when it was discovered that a national policy and set educational standards needed to be developed for all students from kindergarten to twelfth grade as it relates to learning and understanding the basics of personal financial management. Individual state boards of education and other non-profits can now use the Jumpstart standards to design their own personal financial literacy curriculums for students, age kindergarten through twelfth grade. It is important to note that in order for Jumpstart to meet the needs of a wide range of school boards and organizations from around the country, a broad range of people from education, government, and the financial services industry was assembled to develop the original model for a personal financial literacy curriculum in 1998.

The basic framework for the Jumpstart model is based on mastery of various financial standards by the time a student reaches the fourth, eighth, and twelfth grades which is very similar to the Wisconsin model that was discussed earlier. The model is designed based on a broad array of financial literacy standards. A student becomes more competent as he or she transitions from kindergarten to the twelfth grade.

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[29] Ibid.

The first standard of the model or curriculum is financial responsibility and decision making. In this segment the overall goal is for a student to "apply reliable information and systematic decision making to personal decisions."[30] In this segment the student learns to "take responsibility for personal financial decisions, evaluate financial information from a variety of sources, summarize major consumer protection laws, make financial decisions by systematically considering alternatives and consequences, develop communication strategies for discussing financial issues and control personal information."[31]

The second standard of the model is income and careers. The overall goal in this area is to "use a career plan to develop personal income potential."[32] In this area there is a major focus on looking at career options, considering sources of personal income, and evaluating factors that affect net income.

The third standard of the model is planning and money management. The overall goal of this area of financial literacy is to "organize personal finances and use a budget to manage cash flow."[33] Students in this area focus on developing a spending and savings plan, developing a system of financial record keeping, evaluate charitable giving, establish a personal financial plan, and analyze the importance of creating a will.

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[30] Jumpstart Coalition for Personal Financial Literacy, *National Standards in K-12 Personal Finance Education 3rd Edition* (Washington, 2007), 8.

[31] Ibid.

[32] Ibid.

[33] Ibid.

The fourth standard is the evaluation of credit and debt. The major goal of this area is to help students "maintain creditworthiness, borrow at favorable terms, and manage debt."[34] The main thrust of this area is to "identify the costs and benefits of various types of credits, explain the purpose of a credit record, describe ways to avoid or correct debt problems, and summarize major credit laws."[35]

The fifth standard that is taught is the importance of risk management and insurance. The overall competency for this area of financial education is to "use appropriate and cost-effective risk management strategies."[36] The skills that a student will gain from this area of education is the ability to identify various types of risks and risk management tools, understanding the value of property and liability insurance protection, and the ability to "explain the purpose and importance of health, disability, and life insurance protection."[37]

The final standard to be covered in this model is the standard of Savings and Investing. The major goal of this standard is to "implement a diversified investment strategy that is compatible with personal goals."[38] Under this standard, the student after completion will be able to "discuss how saving contributes to financial well-being, explain how investing builds wealth and helps meet financial goals, evaluate investment

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[34]Ibid., 9.

[35]Jumpstart Coalition for Personal Financial Literacy, *National Standards in K-12 Personal Finance Education 3rd Edition* (Washington, 2007), 9.

[36]Ibid.

[37] Ibid.

[38] Ibid.

alternatives, describe how to buy and sell investments, explain how taxes affect the rate of return on investments, and investigate how agencies that regulate financial markets protect investors."[39]

These are the main areas or standards that constitute the model by Jumpstart. Again, all of these standards are taught from kindergarten through twelfth grade in various forms with the expectation that students reach a certain degree of competency in the standards provided by the fourth, eighth, and twelfth grades.

The final model that will be reviewed as it relates to financial literacy is the model developed by Larry Burkett which has been the model most widely accepted by the church over the last thirty-seven years. Larry Burkett has a background in aerospace and electronics and in 1973 after obtaining a degree in finance and marketing from Rollins College, Burkett went on to become a financial counselor with the non-profit group called Campus Crusade for Christ. In 1976, Burkett left Campus Crusade to form a financial literacy organization called Christian Financial Concepts which was dedicated to teaching the Christian concepts of handling finances responsibly. In September 2000, Burkett merged Christian Financial Concepts with Crown Ministries, headed by Howard Dayton, and created what is now known as Crown Financial Ministries.

Crown Financial Ministries is a faith-based, non-profit organization that has emerged to become the largest Christian financial literacy organization in the world.

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[39] Ibid.

Burkett examines the Crown Financial Ministry model in his book, How to Manage Your Money; An In-Depth Bible Study On Personal Finances. Burkett writes "in the 1970s when the ministry of Christian Financial Concepts began, there was not a lot of study material focusing on how believers could serve God through the responsible use of money."[40] This is what sparked Burkett to eventually pour his life's work into financial education for Christian believers. The concept of teaching financial education had almost been totally excluded in the church with the exception of educating believers on the subject of giving to promote missions and church building campaigns. These are important initiatives, but Crown Financial has moved into helping individual believers understand how they can become better stewards over their personal resources so that they can become an even greater supplier to the financial obligations of the church and the church's ministry.

Crown's financial literacy model has been called the Crown Money Map. The map encompasses three primary areas of setting personal financial goals. These areas are: understanding and completing one's life purpose, completing one's financial goals, and the tracking of milestones and completion of destinations.

Once an individual registers with Crown Financial's Money Map Program, the first area that they will examine is the area of completing one's life purpose. In this area of the model a person must discover his life purpose, because this is the area that will drive a person to what is viewed as true financial freedom.

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[40] Larry Burkett, *How to Manage Your Money: An In-Depth Bible Study on Personal Finances* (Chicago: Moody Publishers, 2009), 1.

The next step is the completion of financial goals. In order to realize one's life's purpose, an individual must set personal goals. This will give someone a motive to strive for financial independence.

After determining one's purpose and goals, the final step requires tracking milestones. This will give a person the ability to see how much progress has been made and which financial milestones have been reached. This step consists of what is called seven destination points. These points are: emergency savings, payoff of credit cards, payoff of consumer debt, saving for major purchases, home ownership and investing, payoff of home mortgage, and true financial freedom.

The current CEO of Crown Financial, Howard Dayton, explains the model in very simple terms. Dayton says:

> The Crown Money Map is a step-by-step approach to get one's finances in order. The first step is to save $1,000 and get a budget. The second step is to save one month's living expense and pay off credit cards. The third step is to save three months of living expenses and pay off consumer debt. Each step of the way, you become more financially stable and become able to help folks that are in need.[41]

The overall goal of the model is to make individuals or families more financially independent and not tied down with massive debt. If people are not tied down by overwhelming amounts of debt, then they are in a better position to help others. They also are more likely to be a stronger contributor to ministry. Crown's goal is to teach this concept to 300 million people worldwide by September 2015.

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[41] Michael Barrick, "*Crown Financial Ministries Creating Faithful and Generous Christians*," Ministry Watch (October 2005) 1.

When looking at these three models it must be stressed that when it comes to finances it cannot be overstated that all people must understand that they are expected to use what God gave them in a responsible way. Everything we possess belongs to God. Since this is a principle that is repeatedly mentioned in the Word of God, then it is important for the church to create models that will help people become better managers of their possessions and finances. What has been very clearly pointed out in this analysis is that there has not been a great deal of emphasis put on this area of Christian discipleship until the latter part of the twentieth century. As a result of the lack of this type of education, the church has seen the financial plight of believers and the communities in which the church exists begin to flounder. Therefore, financial literacy must come to the forefront of the church's teaching if the church is going to be able to adequately fund ministry, help families avoid the pitfalls of generational poverty, and point the world to the correct way of utilizing the resources that God has put at our disposals.

The issue of poverty and the reality that many Americans are falling further and further behind as it relates to economic stability has been an all too familiar picture during the first decade of the twenty-first century in the United States. There are a number of cycles that any national economy will experience over a period of time. Regardless of how well a government or even a family prepares itself financially, sooner or later these entities will experience a slowdown in the overall economy. Therefore the question that every person must deal with whether they are a single person, a single parent, or a two-parent household with a growing family is how can one make wise

financial decisions and position themselves for the future so that the devastating effects of poverty will be minimized?

When it comes to poverty and lack of financial resources, African Americans and other minorities seem to suffer disproportionately when compared to other ethnic groups in America. This disparity is highlighted during times of economic downturn. For example, based on reporting in the *Washington Post*, 2010 unemployment numbers for African Americans in hit a twenty-five-year high, soaring to 17.2% with the rate exceeding 20% in five states. "Blacks as well as Latinos were far behind whites in employment levels even when the economy was booming."[42] The *Post* goes on to explain, "Throughout the recession, the unemployment rate has grown much faster for African Americans and Latinos, than for whites, according to a study by the Economic Policy Institute."[43]

Based on recent economic data it has become overwhelmingly apparent that drastic steps must be taken if this trend is going to be reversed in minority communities. The most logical place to begin helping people overcome poverty and financial inequality must be the church.

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[42] V. Dion Haynes, "*US unemployment rate for blacks projected to hit 25-year high*," The Washington Post, January 15, 2010.

[43] Ibid.

Theological Foundations

The church has a theological mission to set people free. This salvation or freedom entails not only one's spiritual soul, but the church also has a mission and duty to help free people from social oppression as well. One of the key areas where the church must become more active is in the area of financial awareness and literacy which will set persons free from financial bondage.

The final portion of this chapter deals with an examination of the theological positions of two liberation theologians Gustavo Gutierrez, and James Cone. It is important to point out that the author will begin with an analysis of church fathers John Wesley and John Calvin's understanding of wise money management; since their views have had such a profound impact on the teachings of the protestant church in America, however the principle theologians that will be used to support the case for providing financial awareness in the church will be liberation theologians Gustavo Gutierrez and James Cone.

John Wesley is most widely known for the founding of the Methodist Church. The beginning of Wesley's path to becoming a founder of Methodism in North America began when he attended a small religious meeting in Aldersgate Street in London on May 24, 1738. Wesley said that his "heart was strangely warmed" which began Wesley's spiritual conversion. When looking at John Wesley's ministry, it becomes very apparent to even the casual student of theology that Wesley was not only a great teacher of spiritual truths, but Wesley was a process theologian who was also concerned about

using scripture to help meet the everyday needs of people. It is often noted that Wesley "only wanted to help those around him and he inspired others to do the same."[44] Wesley broke down his theology into two distinct categories: personal holiness and social holiness. "Wesley's goal was to supplement the Biblical teachings; that [were] provided by the Church of England, emphasizing hands on social work."[45] In other words, Wesley had a belief that meeting the needs of people around him, was the only godly thing to do. "It didn't matter if the people were Christians or heathens; or, if their needs were the result of sin, illness, poverty or a lack of knowledge."[46] Wesley took a holistic view point when it came to the church, believing that it is the church's responsibility to meet people's needs regardless of the condition they were in.

However, in order to meet the demands of such a socially based ministry, Wesley laid a foundation for the Methodist Church that focused on the belief that God would supply the money needed to carry out effective ministry. Therefore, "he preached about tithing, telling believers that the Bible taught that God expected them to give ten percent of their income back to God."[47] Wesley then proceeded to lay a foundation of how to use money wisely so that people understood that money was a resource that should be managed effectively, but more importantly from an ecclesiastical standpoint Wesley accomplished a greater feat for the Church. He established a format based on biblical

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[44] Mistie Shaw, *John Wesley's Rules About Money: The Methodist Church Taught Christians How to Handle Money*, (August 2009), http://www.suite101.com/content/john-wesleys-rules-about-money-a143068 (accessed December 1, 2010).

[45] Ibid.

[46] Ibid.

[47] Ibid.

principles that taught people how save money which allowed believers to increase what they gave to the church. This financial format helped to advance the church's social ministry.

When it came to the subject of money and how a person should handle their personal finances, "Wesley wasn't opposed to followers earning a lot of Money. On the contrary, he taught that it was good within certain limitations. When it came to the subject of money Wesley stressed that economical living and responsible spending was a believer's sacred duty and responsibility. In his sermon, "The Use of Money," Wesley preached that a believer should gain all he could gain and save all he could save, so that he or she could give all he could give.[48] "Wesley then went on to give an example of such a life without ever mentioning that the person being described was himself."[49]

The church father John Calvin who was a practical theologian was born on July 10, 1509 in Noyon, France. Calvin became known for his leadership in the Protestant Reformation (1517 through 1648), which was a breaking away from Roman Catholicism. John Calvin eventually developed a new theology called Calvinism which was based on the absolute power and supremacy of God. "In Calvin's view, Man, who is corrupt, is confronted by the omnipotent (all powerful) and omnipresent (present everywhere) God who before the world began predestined some for eternal salvation (the Elect) while the

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[48] Mistie Shaw, *John Wesley's Rules About Money: The Methodist Church Taught Christians How to Handle Money*, (August 2009), http://www.suite101.com/content/john-wesleys-rules-about-money-a143068 (accessed December 1, 2010).

[49] Ibid.

others would suffer everlasting damnation (the Reprobates)."[50] This view of theology would eventually be referred to as predestination. In spite of such a controversial theology, John Calvin had a deep concern for many issues that fell outside of the realm of the church. His views helped to mold the economic, political, and educational landscapes of the Western world.

Calvin believed that capitalism (the control of trade, investing, and commerce by private individuals) can be a good thing if handled responsibly. For example, Calvin ended up eliminating the Church's medieval prohibition against charging interest on financial instruments such as personal loans. Calvin believed in allowing people to earn a reasonable and fair rate of return on their investments. However, Calvin stressed that Christians should live frugal, disciplined and simple lives, which promoted savings.

"In addition, Calvin encouraged people to seek the public good in their economic lives, not just private gains."[51] Calvin stressed that people should use their wealth to secure their own personal lives, and they should always use their resources to help others who are in need.

The beliefs of both Calvin and Wesley lay the basic ground work for the genre of theology known as Liberation which takes the teachings of the Bible and uses it to address everyday issues and challenges such as how one should use money effectively.

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[50] Henry G. Brinton, *John Calvin Would Have Seen This Crisis Coming*, (May 2009), http://www.pubtheo.com/page.asp?pid=1286 (accessed December 3, 2010).

[51] Henry G. Brinton, *John Calvin Would Have Seen This Crisis Coming*, (May 2009), http://www.pubtheo.com/page.asp?pid=1286 (accessed December 3, 2010).

When looking at Liberation theology, it is important to understand that this particular method of viewing God at work in the life of human beings has at its foundation the principles of a theology known as Practical Theology. Practical Theology is simply the practical application of theology to everyday life. "Practical Theologians attempt to deal with issues that are a part of life in the world, not to solve abstract theoretical problems."[52]

The foundation of Liberation theology can also be traced to the writings of three notable European Theologians: Jürgen Moltmann, Johannes Baptist Metz, and Dietrich Bonhoeffer. "Without going into detail, Moltmann has suggested that the coming Kingdom gives the church a society-transforming vision of reality as opposed to a merely private vision of personal salvation."[53] Metz makes the point that the church must be an institution of social criticism and that there is a political dimension to faith. Bonhoeffer emphasizes human responsibility to others. Bonhoeffer stresses the theological point that the church must see the world with a "view from below." This means that theology should be viewed through the lens of the poor and oppressed. Liberation theologians have also been influenced by the world view of German philosopher Karl Marx. "According to Marx, man once existed in a simple, primitive state."[54] However, this state of being was

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[52] Tony Jones, "*What Is Practical Theology? Part I.*", Blog Spot, entry posted February 23, 2005, http://theblogy.blogspot.com/2005/02what-is-practical-theology-part-i.html (accessed December 3, 2010).

[53]Ron Rhodes, "*Christian Revolution in Latin America: The Changing Face of Liberation Theology, Part One in a Three-Part Series on Liberation Theology.*" Christian Research Journal (Winter 1991), http://home.earthlink.net/~ronrhodes/Liberation.html (accessed December 6, 2010).

[54]Ibid.

interrupted with the "rise of economic classes where one class sought to oppress and exploit another for its own economic advantage."[55] Marx believed that all of society's problems are a result of class exploitation and capitalism was the main culprit.

When examining the origins of Liberation theology, it is important to define what Liberation theology is. Liberation theology is defined as "a school of theology, especially prevalent in the Roman Catholic Church in Latin America, that finds in the Gospel a call to free people from political, social, and material oppression."[56] Liberation theology attempts to fight poverty by addressing the source of poverty which is sin. "The historical roots of liberation theology are to be found in the prophetic tradition of evangelist and missionaries from the earliest days in Latin America, churchmen who questioned the type of presence adopted by the church and the way indigenous peoples, blacks, mestizos, and the poor rural and urban masses were treated."[57] This is how Liberation theology got its start. Beginning in the 1960s, churches in Latin America began to take their social missions more seriously. Lay people in the church began to commit themselves to fighting against the social injustices of the poor. During this period, bishops and priests in the Catholic Church began to call the church to a mission that would improve the living conditions of the poor in Latin American countries.

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[55] Ibid.

[56] American Heritage Dictionary, *Dictionary of the English Languages 4th ed.*, s.v. "Liberation Theology".

[57] Leonardo and Clodovis Boff, "*A Concise History of Liberation Theology, from the Book Introducing Liberation Theology by Orbis Books*". http://www.landreform.org/bof2.htm (accessed December 2, 2010).

"The second Vatican Council during the 1960s produced a theological atmosphere characterized by great freedom and creativity. This gave Latin American theologians the courage to think for themselves about pastoral problems affecting their countries."[58] As a result, theologians such as Gustavo Gutierrez had the freedom to begin developing a theology that reflected on the relationship between faith and poverty, as well as the relationship between the gospel and social justice.

Gustavo Gutierrez's view of theology seeks to deal with current and difficult issues facing members of society and attempts to use theology to solve these issues. In the case of Gutierrez, one of the major problems that Gutierrez seeks to address is the issue of poverty and social injustice among Latin American people. The influences of Marx, Motmann, Metz, and Bonhoeffer are clearly seen in this view of theology from the church's perspective. In 1971, Gutierrez published the famous work, *A Theology of Liberation.* This work focused on the human being taking responsibility for one's own destiny, while understanding that it is Jesus Christ who liberates the human being from sin, which is the root of all disruption of friendship and of all injustice and oppression.

Gutierrez, in a style similar to other Liberation theologians, rejects the idea that theology is a "systematic collection of timeless and culture-transcending truths that remains static for all generations."[59]

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[58] Ibid.

[59] Ron Rhodes, "*Christian Revolution in Latin America: The Changing Face of Liberation Theology, Part One in a Three-Part Series on Liberation Theology*." Christian Research Journal (Winter 1991), http://home.earthlink.net/~ronrhodes/Liberation.html (accessed December 6, 2010).

Gutierrez argues that instead of theology being stagnant and only pointing to a certain place and time in the future, theology is in "flux."

> It is an ongoing exercise involving contemporary insights into knowledge, humanity, and history. Gutierrez emphasizes that theology is not just to be learned, it is to be done. In his thinking, "praxis" is the starting point of theology.[60]

Praxis comes from the Greek word, prasso, which means to work. From Gutierrez's standpoint, the church must work through revolutionary action on behalf of the poor and oppressed. "The theologian must therefore be immersed in the struggle for transforming society and proclaim his message from that standpoint."[61] When it comes to the process of theology, Gutierrez believes that praxis must always be the first step of dealing with a problem facing society. Theology is the second step in dealing with that problem. Gutierrez makes the point that "theologians are not to be mere theoreticians, but practitioners who participate in the ongoing struggle to liberate the oppressed."[62]

Another level to Gutierrez's theology is the idea of what the theologian phrased as the "preferential option for the poor." This phrase became a slogan for liberation in the Catholic Church, and was eventually adopted as the church's official social doctrine.

According to Gutierrez, the preferential option for the poor meant that one's prayers as well as one's deeds must show solidarity and compassion for the poor. The

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[60] Ibid.

[61] Ron Rhodes, "*Christian Revolution in Latin America: The Changing Face of Liberation Theology, Part One in a Three-Part Series on Liberation Theology*." Christian Research Journal (Winter 1991), http://home.earthlink.net/~ronrhodes/Liberation.html (accessed December 6, 2010).

[62] Ibid.

doctrine also implies that the moral test of any society is how it treats its most vulnerable members. Gutierrez taught that the poor of society must always be at the forefront of a nation's conscience. "Drawing from the biblical motif on the poor, Gutierrez asserts that God is revealed as having a preference for those people who are insignificant, marginalized, unimportant, needy, despised, and defenseless."[63] However, "to be sure as to not misinterpret Gutierrez's definition of the term 'preferential option,' Gutierrez stresses preference implies the universality of God's love, which excludes no one."[64] It is only within the framework of this idea of "preference"- a God whose love excludes no one – can Gutierrez's view of theology be interpreted. Gutierrez believes that God loves everyone, especially the poor. Therefore, the church must also do all that it can to help those who are impoverished be liberated from their situation.

The fourth and final theologian that must be examined is James Cone. Dr. James Cone was born in Fordyce, Arkansas, in 1938. Dr. James Cone teaches Systematic Theology at Union Theological Seminary in the city of New York. He is a widely respected scholar and theologian. Cone's main emphasis of study and writing has been in the area of Liberation theology from the Black perspective.

When looking at Cone's work from a hermeneutic or interpretative lens, what must be pointed out is that Cone's theology has as its foundation the experiences of African American people who have had to live and exist in an American society that

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[63] Gustavo Gutierrez, *The God of Life* (New York: Maryknoll, 1991), 112.

[64] James B. Nickoloff, and Gustavo Gutierrez, eds. *Essential Writings* (New York:. Maryknoll,1990) 145.

often times found them to be less than human. The theological questions that Cone raises in Cone's writings definitely have their origins in personal experiences and the racial biases often experienced as a child growing up in a segregated Jim Crow American south. When looking at the segregation and mistreatment of people who have an African heritage in the United States, Cone began to turn to the black church as a way of providing a frame work that would address the deep rooted problems of racism. Cone felt that the issue of racism could be effectively handled through a liberating theology that could be spoken by the Black church, and Cone's lifetime work has been to endeavor to that end.

Cone's methodology for dealing with the struggles of black people in America is to look at scripture with a central emphasis on the liberation attributes of the Word of God such as the Exodus-Sinai experience when God liberated the Hebrews from bondage in Egypt along with the liberative work of Jesus Christ through the cross. Contextually, Cone believes that theology is not universal. But, it must be tied to specific historical contexts. Therefore, Cone ties this understanding of liberation theology to the context of what black people have faced since coming to the shores of North America as slaves. Cone takes all the aspects of the Black American experience by looking at the oppression that is faced by this group of people and counter balances those tragic experiences with a Jesus that came to identify with the poor and oppressed. Cone goes to great pains in all scholarly writings to express that this Jesus, the great liberator, ultimately liberates people through the greatest form of love. That is, for Jesus to ultimately give up life so that these oppressed people can be set free.

Cone sees God as the Great Liberator for the oppressed. Cone argues that the church has a duty to teach the people who sit in its pews each week about this God who is not only concerned about their spiritual condition but about their day to day struggles. What is more, God is able to deliver them from their struggles. Cone suggests:

> The blackness of God means that God has made the oppressed condition God's own condition. By electing Israelite slaves as the people of God and by becoming the Oppressed One in Jesus Christ, the human race is made to understand that God is known where human beings experience humiliation and suffering. Liberation is not an afterthought, but the very essence of divine activity.[65]

In the writing, The Cross and the Lynching Tree, Cone explains, "The struggle to make sense of being black and Christian in white America has motivated all my work as a theologian, starting in June 1968, two months after Martin King's assassination, when I began to write Black Theology and Black Power."[66] When engaged in the process of writing that work, Cone explains that something amazing began to take place in Cone's spirit. Cone said, "It seemed as if a transcendent voice were speaking to me through the scriptures and the medium of African American history and culture, reminding me that God's liberation of the poor is the primary theme of Jesus' gospel."[67] Cone has spent the last several decades relating the gospel to the black experience, which is an experience of oppression that seeks to find a method of liberation within the context of that experience. Inevitably, Cone points out that his work has led to these reflections on the cross and the

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[65] James H. Cone, *A Black Theology of Liberation* (Maryknoll NY: Orbis Books, 2010) 63.

[66] James H. Cone, *The Cross And The Lynching Tree* (MaryKnoll NY: Orbis Books, 2011), 154.

[67] Ibid.

lynching tree: the essential symbol of Christianity and the quintessential emblem of black suffering.[68]

The history of lynching in America was and still is a painful experience for African Americans. Cone points out that it has never really been addressed by the white church. Therefore, it is imperative that the black church seek to deal with this painful thorn of the past and provide healing. This again goes back to Cone's theological view that God is a God of divine justice and healing. Cone points out that scripture should be used as the healing balm to address the pain, injustice, poverty, and racism experienced by African Americans over the last several hundred years. Cone believes fervently, "the Christian Gospel is God's message of liberation in an unredeemed and tortured world. He believes the Christian Gospel is more than a transcendent reality, more than going to heaven when I die, to shout for salvation as I fly. It is an imminent reality – a powerful liberating presence among the poor right now in their midst, building them up where they are torn down and propping them up on every leaning side."[69] The gospel is written for the poor and should be used as a tool to help fight for justice, and what Cone points out as the pursuit of happiness.

"God's word is paradoxical, or as the old untutored black preacher used to say, inscrutable, a mystery that one can neither control nor fully understand."[70] The cross

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[68] Ibid.

[69] James H. Cone, *The Cross And The Lynching Tree* (MaryKnoll NY: Orbis Books, 2011), 155.

[70] Ibid.,156.

points to this paradox and inscrutability. God turned the cross which is a symbol of death and shame into a symbol of liberation and a source of new life.

This concept that Cone uses of taking scripture and finding relevance to Cone's own personal situation and the situation of Cone's people is what the author of this project seeks to accomplish. The poverty epidemic has a stranglehold on the African American population. It can be eradicated, or at least diminished, if we understand the gospel message through the cross gives the church a roadmap to making the lives of people better. God sent his Son into the world to set it free from sin. When sin is taken away, people are set free (that is liberated) to serve and worship God in such a way that God becomes pleased with a person's day to day living, but something else begins to happen. People become better suited to live lives that are filled with joy. They become better prepared to live fuller lives because they are open to heeding what God says to them through the Holy Scriptures.

When it comes to poverty as a form of oppression, both Cone and Gutierrez point out that God is fully concerned about the welfare and well-being of humanity. Therefore, it is God's will that no person be bound by the pitfalls of suffering under the weight of high debt and a lack of resources to support oneself and his family. People can be set free from this burden. It is up to the church to begin teaching sound, practical financial principles that can deliver an entire community from financial peril. Financial literacy taught from the spiritual level of the black church has its roots in liberation theology.

As one begins to examine the church's role in the twenty-first century, it has become more apparent that there must be focus on social and economic change. When looking at oppressed populations, such as African Americans for example, it has become very apparent that one of the major debilitating issues that must be resolved is the issue of poverty. As stated earlier, because of poverty, the African American community has seen an increase in negative communal trends such as an increase in neighborhood violence, elevated drop-out rates of minority high school students, high rates of minority teenage pregnancy, lower household incomes and high incarceration rates of African American and Latino males, just to name a few. It is also important to note that many people in the African American community suffer from low self-esteem because of the plight of their community. It has become apparent that social services offered by local, state, and national governments are not going to totally improve or reverse these trends. So the question that remains is: what can be done to begin to reduce these trends?

Once again, based on the theology of Gustavo Gutierrez and James Cone, the church has a major opportunity to participate in the "praxis" of theology. That is, the church must now begin more than ever to get involved with the community in order to reverse the negative trends that are affecting it.

The African American community has suffered from generational oppression and poverty. Since coming to America as slaves, African Americans have been subject to racism, economic disenfranchisement, lack of educational opportunities, and poverty. These are trends that seem to be on the rise even as the first decade of the twenty-first

century has come to an end. Therefore, if there is going to be any change in these trends, the church must begin to work to change these trends.

One of the ways that the church can make an impact is through financial education. The scriptures have always provided a tremendous amount of instruction on how to handle money and finances properly. It is now incumbent upon the church to begin bringing this knowledge to the people that sit in the pews and who live in the communities where the church exists. In other words, the church must begin to take action so that a people who are still being oppressed can begin to discover financial liberation. In turn, the church will begin to diminish the rise in poverty.

The church can begin to educate the community financially by beginning to work with city and county councils and local school boards in order to offer education to areas of the community that are experiencing high levels of poverty. This education must be offered to all age levels, and a level of financial education must also be taught in the school system. If people have a better understanding of finances and can take control of their financial destiny, poverty in the community is bound to decrease. The key to seeing poverty decline is education. The church has the opportunity to provide this education.

Gutierrez and Cone's liberation models, along with Calvin and Wesley, are good concepts of theology to follow when it comes to bringing about social change in a community that is oppressed financially. The church can join with political and civic partners in order to combat the lack of resources. When all entities that have an interest in

seeing a particular demographic improve socially and financially, then real change will begin to take place.

CHAPTER FOUR

METHODOLOGY

This chapter focuses on the research methodology used by the author, and seeks to give a description of the research design that was used in order to meet the goals of the project. The goal of the project is to decrease the economic illiteracy of church congregants at the Majority Baptist Church in Spartanburg, South Carolina. More specifically, the author believes that if each congregant at Majority Baptist Church is able to increase their financial understanding in the areas of daily money management, credit, investing, and asset preservation, they will be better equipped to effectively manage their financial resources. This will ultimately provide a reduction in the poverty rate currently being experienced in the community. It is also the ultimate goal of the author to eventually use the curriculum of the project in other settings throughout the community. The author plans to take the curriculum to Baptist association trainings, community meetings, and small group settings. The plan also includes taking the curriculum to trainings with individual members of the clergy throughout the state of South Carolina and nationally.

The author employed a methodological approach by first identifying a very troubling problem in the church community. The troubling problem is that too many of

the congregants that are sitting in the pews are suffering silently with financial burdens that are almost too numerous to name. Through general observation and detailed conversations with congregants, the author discovered that most people never intend to get into financial trouble. They get in financial trouble because they do not have a basic understanding of the financial skills that will help them to become debt free, live within their means, plan for future needs, and protect financial assets. The author has observed this financial dilemma time and time again. A family's financial troubles usually come to the forefront when people are most vulnerable. Many times, when a death occurs in a family, what usually becomes apparent is that there has been little or no financial strategy put in place to deal with such a painful experience. When death comes to a family, the members of the family are very often unprepared for this event both psychologically and financially. It has become extremely apparent to the author that if families employ good and practical financial practices then they will be better prepared to handle any challenge that may be directed at them both expected and unexpected. The key to this preparedness is having a broad understanding of basic financial principles.

Hypothesis

The hypothesis of this project is as follows: If congregants are taught basic financial principles in the areas of daily money management, credit, investing, and asset preservation then over time it is believed that the overall poverty rate in the community will be reduced. The key to overcoming long-term generational poverty, especially in the African American community, is for the church to begin taking a lead in offering financial literacy education courses on a regular basis. In the African American

community, not only has the church been the bedrock of faith, but the church is the central institution in the community that seeks to bring about effective change in people's lives. Therefore the church is the ideal instrument to turn the issue of poverty around for so many people who have been suffering for so many generations. Through financial literacy, the people that are willing to be educated will find themselves better suited to making wise financial decisions both for themselves and for their families. When people are armed with financial knowledge, they are more likely to make financial choices that will help them avoid some of the common financial pitfalls that have adversely affected so many people, especially over the course of the last decade.

Intervention

The researcher examined both financial studies and literature that pertained to the subject of financial literacy. What was discovered is that there have been many publications written on the subject of personal financial planning from a secular perspective in the form of journals, magazine articles, books, and even blogs. But when it came to financial literacy being written and designed by religious researchers and authors, there has not been a lot of work or research completed in this area. In the very few cases of religious financial literacy writings and courses, the main focus was dealing with money from a Godly perspective and how a person should handle personal finance according to Godly principles. In each of the financial writings, a strong emphasis was placed on the subject of tithing, or giving a percentage of one's income back to God in the form of an offering to the Church on a weekly or monthly basis. However, the

researcher found that there were still very few practical studies, or writings on how one should apply Godly principles when it comes to the subject of handling one's money.

Targeted Group

The targeted group for the project included seven members of the Majority Baptist Church. There were two males and five females. All of the individuals were at various stages of work and family life. The individuals were selected because of the diversity of where they were in their lives. Some were young adults and others were senior adults. The group also consisted of single and married individuals. For this project, the group was able to meet for four different financial literacy workshop sessions lasting three hours each. The areas of financial literacy that were covered in the sessions included: daily money management, credit, investing, and asset preservation.

Research Design

The author designed this project by using a qualitative research data approach in order to measure the overall impact that the financial literacy training had on each individual participating in the workshops. The researcher achieved the qualitative research method by designing a pre- and post- financial survey (Appendix A), a personal financial literacy questionnaire (Appendix B), and by observing the participants.

The pre-financial survey was used to establish a baseline on how well each participant understood basic financial principles as well as how they currently handle their personal finances both on a short-term and long-term basis. Based on the results of the pre-financial and post-financial survey results, the researcher will be able to gauge

how much participants have begun to grasp concerning basic financial concepts from a financial literacy standpoint. The financial questionnaire was given to participants in order to give the researcher a better idea of what areas of financial literacy that the participants needed more in-depth knowledge. The final measurement of researcher observation allowed the researcher to observe and note changes in participant perceptions and understanding of workshop material through group discussions and question/answer periods conducted throughout the workshop series.

The Course

The author designed a four-part course (Appendix C) dealing with the key areas of financial literacy. Each session took three hours to complete. The course module outline is as follows:

1. Session 1 – Daily Money Management
2. Session 2 – Credit
3. Session 3 – Investing
4. Session 4 – Asset Preservation

The four-course modules were taken from the National Financial Educators Council, Best Practices in Financial Literacy. The conceptual terms of daily money management, credit, investing, and insurance were taken from a personal financial course offered at First Union National Bank, now known as Wells Fargo National Bank. The

author also created a consent/privacy form which was included with the pre-survey for the course.

CHAPTER FIVE

FIELD EXPERIENCE

This chapter focuses on how the author implemented the project, the impact of the project on the participants, and the outcomes of the project study. It includes a detailed discussion of the project and how it was conducted in the context setting.

Targeted Study Group

The researcher used an existing group of seven individuals who are members of the Majority Baptist Church to complete this study. The individuals in this group consist of adults ranging in ages from middle age adults to senior adults. The physical make-up of the members of Majority Baptist Church consists mainly of middle-aged adults and senior adults. The researcher decided to utilize individuals in this age range because of the fact that all of the financial counseling that the researcher has conducted over the last six years has been with this age group. Over the last several years, the researcher has discovered that in the context of Majority Baptist Church the need for financial literacy is greatest among this age range. This need is due to the numerous financial challenges that are faced on a daily basis and the overall lack of financial education being conducted and presented to persons in this age range. Also, based on the researcher's observation, when an adult reaches middle and senior adult years, the burden and pressure to deal with

financial challenges such as budgeting, planning for a child's college education, planning for retirement, planning for a major purchase, or even building up a nest egg in order to handle unexpected financial needs is greatest during this time in a person's life. The researcher made a promise to keep the identities of each participant in the group confidential; therefore a Roman numeral will be used to identify each individual. The breakdown of participants is as follows:

Individual I: is a middle-aged man who is single and lives by himself. The individual has been a member of the Majority Baptist Church for three years. This individual works a full-time, blue collar job and currently has one dependent. This individual is a committed and well thought of member of the church and has never taken a financial education course.

Individual II: is a senior adult woman who is single and lives by herself. She is a grandmother and is currently semi-retired. She has been a member of Majority Baptist Church for three years. This individual is very involved with the Majority Baptist Church and the neighborhood community surrounding the church. This individual has never taken a financial education course.

Individual III: is a senior adult woman who is single and lives by herself. She is a grandmother and is fully retired. She was a member of Majority Baptist Church when she was a small girl. She later moved away and has now returned to the Spartanburg area after retiring. She is a committed member and very active in the life of the church. This individual has never taken a financial education course.

Individual IV: is a married, middle-aged man. This individual has been a member of Majority Baptist Church since childhood and is a native of the Spartanburg community. He is currently working a full-time production job at one of the area's local plants. He is about fifteen years away from retirement. This individual is also a very committed and active member in the church and local community. He currently owns a small business and has never taken a financial education course. He currently has no dependents.

Individual V: is a middle-aged, married woman who has been a member of Majority Baptist Church since childhood. She is a native of Spartanburg, South Carolina, and has adult children as well as grandchildren. She is currently not working due to massive layoffs that have hit the local economy. She is very active in the life of the Spartanburg community as well as the life of the Majority Baptist community. She has read many books on the subject of personal financial education, and has even taught a small group on the subject of saving and becoming financially savvy.

Individual VI: is a middle-aged, married woman who is about five years away from retirement. She has been a member of Majority Baptist Church for fifteen years and is very active in the ministry of the church. She currently does not have any dependents. She has never taken a financial education course.

Individual VII: is a married, young adult woman. She has been a member of Majority Baptist Church for four years and is currently working a full-time, white collar position at a local medical office. She is very involved in the community as well as the ministry at Majority Baptist Church. She and her husband currently do not have any dependents. She

is several years away from retirement. This individual has never taken a financial education course.

Data Collection

The author of this project has known each of the participants for several years. All of them were very willing to help with the project by agreeing to participate in the four financial literacy workshop sessions.

Data collection began with the researcher handing out a twenty-nine question Personal Financial Literacy Questionnaire (Appendix B). There was an explanation at the top of the questionnaire that detailed why the researcher needed each participant's involvement. The handout also contained a brief description of the project and stressed that names would be kept confidential. The researcher informed the participants that their participation was voluntary and they could withdraw their participation at any time.

The researcher informed the participants that there would be a total of four sessions dealing with the areas of daily money management, credit, investing, and asset preservation. Dates for each workshop were discussed and questions from participants were answered by the researcher. After answering all of the questions from the participants, the researcher began to introduce the materials for session one.

Session 1

Session one dealt with the subject of daily money management, or household budgeting. After a prayer was given and after all Personal Financial Literacy

Questionnaires were returned to the researcher, the researcher asked each participant to fill out a short fourteen question pre-survey.

The purpose of the Personal Financial Literacy Questionnaire was to help the researcher determine in what areas the participants needed more in-depth financial knowledge. The pre-survey's (Appendix A) purpose was to establish a baseline, to determine how well participants understood basic financial principles, and to discern how participants handled money on a regular basis. Once the researcher collected the questionnaire and pre-survey, the subject of daily money management was introduced.

The group was first asked why they believe that it is so important to budget their money wisely. There were several very good answers given by five of the participants which ranged from keeping track of one's spending on a daily basis to keeping harmony in one's relationship when it comes to married couples.

Another handout was distributed. This handout was produced by the National Financial Educators Council, Best Practices in Financial Literacy. It was called, "*Let's Learn to Budget*"[1]. The participants were asked to examine the goal of the lesson. The goal entailed learning how to budget properly so that an individual can afford the things that they want.

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[1] National Financial Educators Council, "*Best Practices in Financial Literacy Let's Learn to Budget,*" http://www.financialeducatorscouncil.org (accessed June 3, 2011).

The researcher began to engage participants by asking them if they budgeted on a daily basis. Only one of the seven participants answered affirmatively. However, this participant also explained that they were not consistent on this practice.

The researcher introduced the basic components of a home budget. Participants learned that just like driving a car, a family or an individual must learn basic financial strategies that will build proficiency. It was determined that spending and saving wisely are the most important concepts to learn when it comes to money-management. In this segment of the workshop, participants came away with the basic understanding that a budget is simply a roadmap that leads a family or an individual to the type of lifestyle that they would like to have.

Other concepts introduced at the start of the budgeting segment included psychologically understanding the difference between needs and wants and keeping track of personal spending. The participants were asked by the researcher to give their own definition of needs versus wants. It was discovered that a need is something that is essential for one's survival. A want is simply something that a person would like to have, but that is not absolutely necessary for survival. The researcher pointed out that in order to effectively manage money, people need to keep close track of their spending. Spending is broken down into fixed and variable expenses. The fixed expenses are costs that do not change from month to month such as the car note, mortgage, and rent payments. However, variable expenses are defined as spending that vanishes each month into the unknown such as impulse buying. Impulse buying is a purchase that is made without prior planning such as unplanned stops at a restaurant or shopping mall.

The participants were then asked to give examples of how they can track their spending on a regular basis. Several good examples were given such as keeping a note pad and writing down purchases made each day, and saving receipts. In the case of debit card users, going online and checking bank statements each day was offered as an idea for tracking spending.

The researcher stressed to the group that budgeting is simply a state of mind. A person must be conscience of their daily spending habits. Once there is an awareness, the groundwork can be laid to start a budget that works for an individual.

Session one ended with the researcher walking the participants through the parts of the budget which examined expenses versus income. After walking through the budget, participants were asked to give their input on the practicality of beginning to utilize a budget on a daily basis. All agreed that they would make the effort to begin using a household budget. They were given the assignment of coming up with their own budget by utilizing the budget example in their handout, *Let's Learn to Budget*, (Appendix C). The study questions at the end of the handout were discussed, a prayer was given and the session was concluded.

The researcher's assessment for session one was that things went well. The participants were eager to look for ways that they could save money by cutting out waste and curb spending on things that they did not need. The participants were asked to come to the next session prepared to discuss how well they were able to utilize the budget and develop their own personal spending plan.

Session 2

The second session dealt with the subject of understanding how an individual should use and treat the subject of personal credit. However, before moving into the new section to be discussed, the researcher took some time to review the previous session concerning budgeting. Each participant was asked to share their thoughts regarding the personal budgeting process and if they were able to implement the ideas discussed in the previous session. All of the participants explained that they had made the effort to utilize the budgeting tool (Appendix C). They said they had worked out a personal spending plan that would be utilized on a daily basis. The researcher was extremely pleased that all the participants had taken advantage of the budgeting tool.

As it relates to the next subject of credit history, the goal of the session was stated by the researcher. Several questions about credit experience were asked. The researcher asked each participant if they had ever used credit in the past, it they had ever utilized credit cards, taken out a mortgage, or ever had the experience of taking out a car loan. The researcher stated that the goal of the session was to point out the advantages to having a good credit rating and history. The point was made that having a good credit rating could save a person over $100,000 in their lifetime. After a warm-up activity was conducted, the participants were asked to look at the principles of understanding and maintaining a good credit history.

The researcher explained the purpose of the credit bureau. The credit bureau collects and stores credit information on consumers. The purpose of the credit bureau is

to rate how well a consumer uses credit. Each consumer is given a credit score based on how well they pay their bills on time for example. Participants were also told how to maintain and keep good credit. To maintain good credit, people should pay bills on time, keep debt balances low and check one's credit report on a yearly basis. The researcher made the point that the higher a person's credit score, the more likely a person is to receive a lower interest rate when it comes to borrowing money and making purchases.

The next area of credit and lending that was addressed in this session was the subject of obtaining a car loan. This is one of the most common forms of credit found in the economy, therefore the researcher decided to spend some time exposing participants to the positive and negative variables in taking out a car loan. It was discussed that having a car loan and making payments on time can help to build up one's personal credit rating. The researcher shared strategies for obtaining the most favorable loan possible. Avoid loans that were more than three years, for example. It was discussed that it is important to first shop at a bank or credit union for a more favorable loan term and interest rate versus going to a finance company or the dealership. Finance companies and dealers often charge more for their financing than a traditional bank or credit union. Most importantly, the researcher advised making sure that the payment of a car loan fit into one's budget. A person should never enter into a loan that they cannot truly afford.

This part of the session was ended with a question and answer period where participants gave feedback on their personal experiences with car loans and how they could apply the information learned in this session to future car purchases. After a break, the researcher took the participants through a review of what credit is: an agreement to

make deferred payments to a lender or creditor at a certain rate of interest. When a consumer makes payments on time, this helps to raise their credit score and credit rating. If a consumer is late on payments or defaults on a loan or credit card, this will serve to lower a person's credit score or rating, causing the consumer to either be declined for credit in the future or receive a higher interest rate.

To conclude the session, the researcher explained to the participants that all debt is not bad or works to adversely affect a person's financial outlook. There are good types of debt such as owning a home, starting a business, and even investing in stocks. A discussion was conducted on how a person can qualify for a home loan when they are looking to purchase real estate.

The researcher explained that it is extremely important that an individual or family first sit down and determine how much of a home that they can afford. This step takes a person back to the budgeting process. Once a person decides how much they can afford then the next steps are to understand what a lender will be looking at when it comes to extending credit for a home loan. The five areas that were discussed from the lender's perspective were: credit, debt-to-income ratio, liquid assets, equity/down payment, and collateral. The point was made that if a person is prepared and focused on these five areas then they are more likely to receive a lower interest rate which will save them money over the life of the loan.

A final question and answer period was conducted and the session was concluded. The researcher found that the participants were extremely focused and willing to

participate in this session. There were many questions. Five of the participants shared some very good ideas and experiences related to credit cards, buying a home, and purchasing a car.

Session 3

The third session dealt with the subject of investing. One of the areas that so many people are not comfortable or familiar with is the area of setting aside money or savings for long-term growth. After a prayer was given, the researcher introduced the third of the four workshops, "Why People Invest."

The researcher started off the session by going around the room and asking each participant to describe investing. There were several good answers given. The researcher discovered most of the participants had a good outlook on the subject of investing. However, many of them were not sure how to start investing. Those who were already investing were not sure if they were on the right track.

To start off the information portion of the session, the researcher gave a very basic definition of investing. The researcher suggested that investing is simply making your money work for you. It was also stated that the sooner a person starts investing, the more time they have to build a nest egg for the future.

Based on the workshop outline, "Why People Invest," (Appendix C) the researcher discussed both the basics for investing as well as the laws of investing. There were also seven clear steps that a person must always consider when planning to invest their money in financial instruments such as stocks, bonds, and mutual funds which is:

consistency, understanding how to make one's first investment, understanding the big picture, checking oneself, thinking for oneself, building an investment team, and networking.

The next area that the researcher covered with participants was the importance of diversification as it relates to implementing a long-term strategy for investing a person's assets. During this part of the session, the participants were asked if they understood what it meant to diversify. The answers that came back were somewhat general in nature. A couple of the participants explained that they understood diversification to mean spreading one's money around. The researcher was impressed with those particular responses and it was shared that in order to be a shrewd investor, each person must seek to diversify.

Diversity simply means to invest one's money in several different types of investments at the same time. This practice offsets an investor's personal risk. It was explained that the stock market is volatile. It goes up and down on an almost daily basis. Therefore, the more a person diversifies, the better chance they have of not experiencing a major loss in the value of their investment portfolio because their risk is spread over several different types of investments.

Before ending the session, the researcher discussed the basic types of financial instruments in which a person can invest, including bonds, money market funds, mutual funds, stocks, real estate, and businesses. This was a very informative session. The researcher noticed that the participants were becoming more comfortable with the

financial terminology being used. They were beginning to speak up more and ask additional questions. A final question and answer period was conducted. A prayer was given and the session was concluded.

Session 4

The final session that was conducted dealt with the subject of asset preservation, otherwise commonly known as insurance. At the beginning of this particular session, the researcher asked the participants to define insurance and its benefits. Again, there were very good responses from the participants. Several of the participants shared some of their personal experiences with insurance. For example, one person shared that they could not imagine not having health insurance to cover things such as basic physical exams and surgeries. They explained that their health insurance from work was a life saver, because if they did not have that type of insurance in place, then the cost of having a badly needed surgery would have been unbearable.

After getting responses from the participants, the researcher explained what insurance means as well as the types of insurances that each person must have in place if they are going to protect themselves and their families. It was said that the three basic types of insurance that every individual must have are health, property, and life insurance. It was stated that the purpose of insurance is to transfer the risk away from oneself to the insurance company. A person pays a fee for this transaction which is called a premium.

The researcher presented the participants with reasons they need insurance. The researcher suggested insurance would protect their assets in the case of an unexpected illness, loss, or accident. If an unexpected illness, loss, or accident were to occur, and there is no insurance in place, then the total costs that are accumulated from these types of occurrences falls squarely on the individual. If the individual does not have the funds to pay these bills, this could bankrupt an individual causing them to lose everything that they own.

After dealing with the need of having insurance, the researcher led an in-depth discussion on the various types of insurance that people must have in order to protect themselves and their assets. These types of insurances included auto, health, dental, renters, life, and disability. It was also recommended that persons locate a good and reputable insurance agent who can assess their needs and make suitable insurance recommendations.

Out of all of the sessions, the researcher found this session on asset preservation to be the most intense because of the subject matter. Each participant had a direct or indirect example of how they have been adversely affected by someone not having insurance. It was also discovered by the researcher that several of the participants did not have certain types of insurance. However, the bright spot in this session was all of the participants' eagerness to look for ways to obtain the insurances that they were missing. The majority of the questions concerned health care and life insurance.

After a very lively question and answer period, the researcher thanked each participant for their willingness to participate in each of the sessions over the last several weeks. A post-survey was given and the session was adjourned with a prayer.

Analysis of Data Collection Instruments

One of the primary data collections for this project was through observation and conversation with all seven of the participants during the financial literacy workshop sessions. The researcher fully believes and understands that all of the participants fully disclosed their feelings in a setting that they felt comfortable, and that they were totally forthcoming regarding their true feelings about the information covered in all four of the financial literacy sessions. All seven of the participants exhibited a clear understanding of the materials being presented by the researcher. As the workshops progressed, it was noted by the researcher that the confidence level of participants increased. They consistently became more verbal in expressing their personal thoughts on financial literacy issues. It was also noted that in the last two sessions, participants were becoming comfortable enough to ask not only basic questions about the data being presented, but they consistently presented follow-up questions to the researcher in order to make sure that they had a sound understanding of the materials.

The next instrument that was used in the data analysis was pre-surveys and post-surveys. After asking some basic personal and demographic information on the survey forms, the researcher presented the following questions for the participants to answer. It must be noted that due to a very serious and unexpected illness, one participant was

unable to attend the final financial literacy session. There is no pre-survey or post-survey results presented for the ill participant. Therefore, results for the pre-survey and post-survey are based on six participants instead of seven.

Question: "How would you rate your current financial situation?" In this question the researcher was attempting to get a grasp of each participant's ability to assess how well they were doing financially. Most responses fell between fair to average. By the end of the financial literacy sessions each participant expressed the desire to improve their current financial situation based on the knowledge they had obtained.

Question: "Do you currently maintain and stick to a monthly budget?" In this question the researcher was attempting to understand how many participants currently track their spending on a monthly basis. It was discovered that only three of the six track their spending, but by the end of the four financial literacy sessions, two additional participants had begun the process of budgeting.

Question: "Do you currently have any debt such as credit cards, auto, or mortgage?" In this question the researcher was attempting to understand each participant's familiarity with credit and their experience using credit. Each of the participants currently use some sort of debt.

Question: "Do you currently invest in the stock market or invest in a company retirement plan such as a 401(k)"? All but one of the participants have some experience investing in the stock market and have a general idea of what the stock market is and how it operates.

Question: "Do you have adequate insurance such as home, health, and life insurance?" The researcher was seeking to determine if each participant had any personal experience with insurance in order to protect personal assets. All of the participants currently have property insurance for protection of personal assets.

Question: "On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to: managing money on a daily basis?" In this question the researcher found a moderate improvement among the participants. By the end of the sessions, three of the participants improved in their ability to handle their personal finances, two participants remained at the same level, and one participant decreased slightly in ability.

Question: "On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to using credit wisely?" Two of the participants rated themselves higher in this area by the end of the financial literacy sessions. One participant rated themselves slightly lower in this area. The remaining three participants remained at the same level.

Question: "On a scale of -5 how would you rate your current ability to handle your personal finances when it comes to investing in the stock market?" In this area there was again only a moderate improvement. Only one of the participants rated themselves higher after conclusion of the financial literacy sessions.

Question: "On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to utilizing insurance and estate planning such as

writing a will?" In this area three of the participants rated themselves higher by the end of the sessions. One participant rated themselves lower, and the other two participants rated themselves at the same level after completion of the sessions.

Question: "On a scale of 1-5 how would you currently rate yourself in terms of understanding the basic principles of personal finance such as budgeting, credit, savings, investing and wills?" The researcher asked this question in order to get an overall picture and understanding of how well the participants understood basic financial concepts coming into the financial literacy course. By the end of the course three participants rated themselves higher in this category, and three of the participants rated themselves at the same level.

Question: "Is this your first time participating in a personal financial education workshop?" All but one of the participants had never participated in a personal financial education workshop.

Question: "In a couple of sentences please state how you think that a financial literacy workshop has or will help you understand your finances?" By the end of the financial literacy sessions, the researcher was pleased overall with the results from the sessions. Each participant stated that they saw some value from attending these sessions, and that they have gained significant knowledge in the area of personal financial money management. Even though the results show a moderate increase in knowledge the research believes that each participant's financial health will improve gradually over time if the lessons learned in the sessions are practiced on a daily basis.

The final instrument that was used in the project was a Personal Financial Literacy Questionnaire. The researcher asked each participant to respond to questions covering the main areas of personal financial literacy that included: daily money management, credit, investing, and personal assets. The purpose for the questionnaire was for the researcher to gain an overall sense of each participant's use and knowledge of personal financial tools and assets.

CHAPTER SIX

REFLECTION, SUMMARY AND CONCLUSION

In order to overcome the toxic disease of generational poverty, one must be willing to take an honest assessment of their current financial situation and then take a determined stance that this curse can and will be broken. In the African American community, where this curse seems to be the most prevalent, the author of this project believes that the key to finally defeating poverty over time is for the community to become educated on sound financial principles.

In the context where the author has conducted ministry as a pastoral leader, it has been discovered that a lack of financial resources has caused the growth of the community both inside and outside the church to become stagnated. So the question that must be asked is: what can turn this situation around? The answer lies around giving people the hope that they can overcome any financial challenge as long as they have the proper tools and resources, and this is where Majority Baptist Church in Spartanburg, South Carolina, has a tremendous opportunity.

Majority Baptist Church has always been a catalyst for change in the community since the early years of the twentieth century. Majority started as a place where the community's children could find a safe and nurturing environment for the purpose of

learning how to read and write. During that time in the church's history there were no schools for Negro children as they were called, so Majority filled this void by opening up its doors for education. This tradition of education must continue. It is now up to the church to step to the forefront so that a major problem can be addressed. This time, instead of reading and writing, the church must begin to educate the community through financial awareness.

Outcome

When beginning this project, it was the researcher's intention to find a very practical way to address the issue of poverty both within the church's walls at Majority Baptist Church as well as within the greater community of the south side of Spartanburg, South Carolina. The most practical way to address this problem was through introducing sound and practical financial literacy instruction to the community.

In terms of outcome for this project the researcher saw very positive results on two levels. First the researcher was able to learn through various conversations with project participants that financial literacy was something that has been needed in the church for several generations. The researcher discovered that many of the concepts introduced in the financial literacy sessions had never been discussed by a lay person, much less a pastor of a congregation. Participants also stated that if this type of literacy could be taught on a regular basis then the community would see an eventual increase in home ownership, personal savings, investments for the future, and a stronger ability to handle credit wisely. The researcher also learned that people seem to listen more intently

and take to heart what is being said if the training is coming from a pastor. One participant shared with the researcher that the pastor has the responsibility of caring for the spiritual needs of their flocks, but one must also understand that when a pastor takes the time to address the practical struggles of the people sitting in the congregation, then there is more trust established between the pastor and parishioners. To put it in a nutshell, people like receiving good instruction from their religious leaders especially in areas of their lives where they see the most difficulty or experience the most struggles.

The next area of outcome that stood out for the researcher concerns the participants themselves. Based on outcome data received from each participant it is clear that each person going through the financial literacy sessions experienced a moderate increase in understanding how to handle personal income and assets more effectively. At the beginning of the financial literacy training modules the level of financial awareness stood at a range of poor to average. However by then end of the financial literacy training modules the level of financial awareness stood at a range of fair to excellent (See Appendix D). The researcher had hoped that there would be an even larger increase or greater level of financial understanding drawn from the financial literacy sessions, however based on data collected as well as observations, it is evident that each participant saw some increase in their knowledge levels. The researcher entered into the project understanding that poverty is not a quick fix issue, but if financial literacy can be introduced to a group of people and taught on a consistent basis, then the rate of poverty will eventually decline, and the cases of generational poverty will also decline over time.

Elucidations

Through this project the researcher learned several things. First it became extremely apparent after weeks of research that there are very few financial literacy models that have been introduced and taught within the church. The Bible has so much to say on the subject of handling money and finances wisely, but for many reasons such as fear and lack of understanding in this subject area, the church as a whole does not make financial literacy a major priority when it comes to teaching parishioners how to become whole from a financial standpoint as well as a spiritual standpoint. In fact, the researcher has learned over the course of the project that a person's financial position in life has a direct impact on their spiritual life. When people are whole from a financial perspective, then they feel more empowered to give more to the poor, make contributions to ministry outreach efforts such as starting a community greenhouse, and they certainly feel more empowered to bring the full tithe into God's storehouse by giving ten percent of their income back to God.

The researcher also learned that there is a current hunger in the church for sensible and practical courses dealing with personal financial money management. With the recent downturn in the economy it has become more apparent that people from all walks of life are seeking ways to be smarter when it comes to the use of personal income and assets. Over the course of the financial literacy workshop sessions, participants stated over and over that they were extremely happy to receive this type of training in the church. They also stated that they wish that someone had taken the time to teach them about basic money management principles sooner. This would have prevented them from

making many of the financial mistakes that they made in the past. It was concluded that most people want to become more proficient in keeping or getting their financial houses in order, but they just need someone who is willing to take the time and show them how to effectively manage their personal assets.

Another key learning from this project is the need to also expand the teaching of financial literacy to younger individuals. For example, the researcher was very pleased to learn from one of the project participants that the type of exposure they were getting over the course of the financial sessions should also be introduced and taught to persons who are currently in middle school and high school. One of the goals for future implementation of the financial literacy courses will be to modify the subject matter so that it can be given to younger pupils in order to expose them to basic financial concepts early on. If this process is implemented, then it should prevent younger individuals from making some of the poor financial choices and decisions later on in life that many adults currently deal with.

Finally, the researcher learned that people have a certain comfort level with their church. This is why the researcher believes that there was a moderate increase in knowledge and willingness to participate in a financial literacy workshop. The church is one of the best places to teach financial literacy, because there is a certain level of trust that has already been established as it relates to the instructor such as a pastor and the students which are usually the parishioners. If churches can establish a strong teaching ministry and include teaching models on the subject of financial literacy, the researcher

believes that over time, a community will begin to realize a gradual reduction in the area of poverty.

Replication

The author sees a great potential for the replication of the project as it relates to other contexts and settings. For example, the project's four sessions could be taught by other pastors or lay persons who would like to see the financial knowledge of their fellow parishioners increase. This could be accomplished by breaking the sessions into smaller segments and teaching the classes over the course of two months in a bible study or Vacation Bible School setting. The courses can also be taught in a retreat setting. For example, a parish can establish a special two-day retreat by splitting the four sessions with one subject being dealt with in the morning and the second subject in the afternoon.

The next option for providing financial literacy workshop training is at local, state, regional, and national conventions. Most churches and denominations have special times of the year where they meet to focus on the overall ministry and direction of the church. This type of training could be modified and taught to clergy and lay leaders during these convention meetings, and the course could then be brought back and taught to local congregations.

One final option that can be considered is having a single facilitator offer financial literacy training to local churches, and associations. The researcher comes from a Baptist setting and there are numerous pastors locally and nationally who may want to lead their congregations through financial literacy training. The information can be

modified and condensed into a one day session where the most crucial parts of each financial area are covered by a visiting facilitator.

Conclusion

The author of this project has seen a great need in the life and people of the church to find a way to overcome the dominant plague of poverty that has been eating at the core of the community. It has been discovered that the people who make up the community are strong, persistent, loving, highly gifted, and nurturing. But for many years, due to a breakup of the strong business structure and even social structure of the community, people have lost a certain degree of hope and even the means to pull themselves and the generations coming behind them out of financial peril.

In order to address this problem, financial literacy and awareness must come to the forefront. The author has discovered that the time has come for the African American church to begin to take its rightful place in stopping poverty from spreading to the generations that are yet to be born. Yes we can and must learn from the past, and the ambition and drive of the original settlers who settled the South Side of a place called Spartanburg South Carolina still have a lot to teach us. They started with virtually nothing and built a strong and vibrant community which still exists to this very day. This same type of determination and drive must be borrowed by this generation if poverty is ever to be permanently eradicated.

What must be clearly stated is that overcoming generational poverty is not a quick process. It is going to take months, perhaps years, to overcome the ill effects of poverty.

However, if the African American community and all American citizens begin to take a serious look at how poverty has affected the nation, then the battle to overcome this epidemic will be well under way and the eminent victory over poverty will be achievable. It is the author's hope that financial literacy will begin to spread throughout the country and that people from every walk of life will begin to take advantage of learning how to achieve the goal of financial blessing and security.

APPENDIX A

PRE/POST SURVEY

Personal Financial Education Survey

1. What is your gender? (circle one)

Male or Female

2. What is your age? (circle one)

18-25 26-35 36-45 46-55 56-65 Above 65

3. How would you rate your current financial situation? (circle one)

(1) Poor (2) fair (3) good (4) average (5) excellent

4. Do you currently maintain and stick to a monthly budget? (circle one)

Yes or No

5. Do you currently have any debt such as credit cards, auto, or mortgage? (circle one)

Yes or No

6. Do you currently invest in the stock market or invest in a company retirement plan such as a 401k? (circle one)

Yes or No

7. Do you currently have adequate insurance such as home, health, and life insurance? (circle one)

Yes or No

8. On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to: managing money on a daily basis? (circle one)

(1) poor (2) fair (3) good (4) average (5) excellent

9. On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to using credit wisely? (circle one)

(1) poor (2) fair (3) good (4) average (5) excellent

10. On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to investing in the stock market? (circle one)

(1) poor (2) fair (3) good (4) average (5) excellent

11. On a scale of 1-5 how would you rate your current ability to handle your personal finances when it comes to utilizing insurance and estate planning such as writing a will? (circle one)

(1) poor (2) fair (3) good (4) average (5) excellent

12. On a scale of 1-5 how would you currently rate yourself in terms of understanding the basic principles of personal finance such as **budgeting, credit, savings, investing, insurance and wills**? (circle one)

(1) poor (2) fair (3) good (4) average (5) excellent

13. Is this your first time participating in a personal financial education workshop?

Yes or No

14. In a couple of sentences please state how do you think that a financial literacy workshop has or will help you better understand your finances?

APPENDIX B

PERSONAL FINANCIAL LITERACY QUESTIONAIRE

Personal Financial Literacy Questionnaire

Dear Participant:

My name is Marcell Bush, and I am conducting research on Financial Literacy at Majority Baptist Church in Spartanburg South Carolina. This research is required for me to complete my Doctor of Ministry Degree at United Theological Seminary in Dayton Ohio. Therefore I need and I am requesting your assistance in answering the following financial questions.

Please be assured that the information that you share with me will be confidential and will not be shared with anyone. Only the composite results of this study will be communicated through research publication. Each participant will be anonymous throughout this project. No names of participants will be used. Your participation is voluntary, and it will not affect any service that you receive now or in the future. You may also withdraw your participation at any time.

Your participation is very important to me, and I wish to thank you in advance for your assistance.

Personal Data:

Name: _____

Date of Birth: _____

How long have you lived in Spartanburg? _____

Are You Male or Female? (Please Circle One)

Who is your current employer and what type of work do you currently perform, or are you retired?

_____

_____

_____

_____

Daily Money Management Questions:

1. Please share what you see as your family's financial goals and dreams?

   _____
   _____
   _____

2. Do you currently use a monthly household budget?

   _____

3. What types of items do you include in your budget?

   _____
   _____
   _____
   _____
   _____

4. Do you currently have a checking account?

   _____

5. Do you currently have a savings account?

   _____

6. Do you currently use an ATM or Debit Card?

   _____

7. Do you currently have any other banking accounts such as money market accounts, holiday savings accounts, vacation savings accounts or Certificate of Deposits? (If So Please List Types)

   _____
   _____
   _____

Credit, Investing, and Personal Asset Questions:

1. Do you have an Individual Retirement Account (IRA)?

   _____

2. Do you have a 401K, annuity or pension through your employer?

   _____

   _____

3. Do you currently do any other investing outside of your employer's retirement plan? _____

4. Do you feel that you currently or will have enough saved for your retirement?

   _____

5. Will you receive or do you receive social security benefits?

   _____

6. Do you receive dividends from any investments or trusts?

   _____

7. Do you currently have a will?

   _____

8. Do you currently have a living trust?

   _____

9. Do you currently have or plan to have a Power of Attorney to manage your assets? _____

10. Do you have life insurance, and do you consider your life insurance adequate?

    _____

11. Do you have health insurance, and is that coverage adequate for you and your family?

    _____

12. Do you own your home?

    _____

13. Do you currently have a mortgage on your home?

    _____

14. How much do you owe on your mortgage?

    _____

15. If you do not own a home do you plan to eventually purchase a home?

    _____

16. Do you have any money saved for a down payment on a home?

    _____

17. Do you currently have homeowners or renter's insurance? Is the coverage adequate?

    _____

18. Do you currently have children or dependents that rely on you financially?

    _____

19. If you have children, have you begun saving for their college education?

    _____

20. If you have sent children to college how were their educations financed?

    _____

    _____

21. Do you have emergency funds saved in the event of a crisis?

    _____

22. Do you know your credit score and what that score means?

    _____

23. Do you check your credit score on a regular basis with the 3 credit reporting agencies? _____

24. Have you taken out any types of consumer loans in the past, if so what types (**i.e.** car, personal loan, easy credit loan)?

    _____

25. What is the total amount that you have outstanding on all consumer loans?
    $_____

26. Do you currently have and use any credit cards?

    _____

27. Do you rely on your credit cards to pay your monthly expenses?

    _____

28. Are you able to pay off your credit card balances each month?

    _____

29. On average how much debt do you carry each month on all credit cards?

    $_____

APPENDIX C

FINANCIAL LITERACY CIRRICULUM

Daily Money Management

Course Curriculum

Lesson 1: Wants vs. Needs

Lesson Overview: In this lesson students will develop an understanding of what wants and needs. They will also learn how to differentiate from the wants and needs, when making purchases.

Essential Questions: At the end of the lesson your students should be able to answer the following
1. What is a want?
2. What is a need?
3. What are some differences between wants and needs?
4. Why is it important to recognize differences between wants and needs?

Anticipatory Set (10 minutes)
•Write the following on the board:

Brand new car, New Xbox player, Shoes for work, Groceries, Shoes for a party next week, Practical car for work

- Ask the students to identify if the following is a want or need in their workbooks.
- Discuss their results together and facilitate a discussion about the results.

Lesson Explanation (20 minutes)
- Explain to students that a **need** is something you must have for survival.

Example:
□.Food
□.Electricity
□.Gas (for heat)
□.Water
□.Toiletries
□.Clothes
□.Place to live

- Explain to the students that a **want** is something you would like to have.

Example:
.A lot of clothes
.Cable TV
.Video Games
.DVDs

Toys (video game systems, iPods, mp3 players, etc.)
• Ask them to share a need and a want and write them on the board.
• Be sure to differentiate between expensive food & clothes and the food and clothes necessary for survival.

• Ask students to tell you about some things that they want that money can buy.
• Spend time discussing the differences between wants and needs with the students.

For example, you can get TV for free with an antenna. So Cable or Satellite TV is a want. Also, you can buy generic food and toiletries for survival. So buying expensive brands is a want.

You can have a landline phone in your residence for very little money per month. So a cell phone is a want. Or a cheap cell phone is a need and a smart phone is a want.

•The point is for the students to distinguish the difference between wants and needs.

Lesson Activity (15 minutes)

- Put students in groups of 3 or 4 and hand each group a stack of magazines.
- Instruct them that they will need to complete the activity in their workbooks about wants and needs.
- If you do not have magazines have the students draw their wants and needs in the workbook.

Another variation is to have the students complete the activity in the workbook on poster board.

- Then instruct the students to look through the magazines and cut out pictures of various wants and needs. They are to determine the 'wants' and 'needs' they have.
- Tell them that if they are unsure of their wants and needs they can put an item in the middle, if it is a want and a need.

Example of the workbook:
Want vs. Need

- Let the students present their findings. Talk about the differences between the wants and needs of various students.

Lesson Review (10 minutes)

- Discuss the importance of knowing the difference between wants and needs.
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)

- Discuss the answers to the essential questions.
- Reiterate the importance of knowing the difference between credit and debit cards.

Lesson 2: Spending Traps

Lesson Overview: In this lesson student will develop an understanding of how to live beneath your means. Students will also explore how to avoid spending traps, what spending traps are, as well as how they relate to living within your means.
Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What is living within your means?
2. What does it mean to live below your means?
3. What does it mean to live at your means?
4. Why is it important to know about living within your means?

Anticipatory Set (10 minutes)
- Give each student a healthy snack (make sure to avoid snacks with any type of nuts in it due to allergies).
- Let them know that if they can wait until the end of this activity to eat it then they can have four more. If they eat it now that is all they get.
- Have them record their decision in their workbook.

Lesson Explanation (20 minutes)
- Explain there are three ways of living: beneath your means, at your means beyond your means.

- Ask: Why do you think people choose to live beneath their means, at their means, above their means?

Talk about this with the students.
- Explain that how a person spends money and determines their wants and needs can affect their spending habits.
- Present the students with the following scenarios and ask them to identify if the person is living within their means, below their means or above their means.
- Write the following on the board and make three columns.

Above your means
At your means
Below your means

- In each column ask the students to tell you what they think each term means.
- Write their responses in the column.
- Then explain the following:

Living above your means is when a person spends more money then they have. This means that they spend their money buying wants, rather than needs and often use credit as well to attain these items.

Living at your means is when a person spends the amount of money that they have. They

use credit occasionally, and usually have don't have a savings account because they spend the entire amount of money they have each month.

Living beneath your means is when a person does not spend all of their money all the time.
They have found the perfect spending balance in purchasing wants and needs. They have a surplus and can easily participate in spur-of-the-moment events with their friends.

- Talk about what group they want to be associated with? Ask them which group they think most American families are in.
- Ask the students who still have their snacks to raise their hands.
- For those that do, give them four more. (Hopefully there will be a few outcries of "that's not fair")

- Explain that what they were able to do was to be patient and to put off immediate happiness.

- Talk about the relevance of this example to the lesson and how it identifies with living within your means.

Lesson Activity (15 minutes)
- Explain to the students that the class is going to complete the following scenarios together. (All of these scenarios are in their workbooks.)
- Read through the scenarios with the students and as a class determine if the person lives at their means, beneath their means or above their means.

- Scenarios:
1. Which group is more likely to buy a large flat screen plasma TV just in time to watch the Super Bowl and not have enough money for pizza during the game?

Answer: Above your means

2. Which group is most likely to have a very accurate budget and put money in their savings before they spend money on other things?

Answer: Beneath or at your means

3. Which group typically has bad credit?

Answer: Above your means

6. Which group is most likely to be able to pay cash for a flight to the Bahamas for vacation on a whim?

Answer: Beneath or at your means

7. Which group is more likely to go on a beach vacation they've planned all year?

Answer: Beneath or at your means

8. Which group is likely to stick to a list when shopping?

Answer: Beneath or at your means

9. Which group is likely to have money set aside for going to a movie or to an amusement park?

Answer: Beneath or at your means

10. Which group is most likely to not have money to go with their friends on a last minute trip?

Answer: Above your means

Lesson Review (10 minutes)
- Ask the students, "Why is important to live within your means?"

Closing Activity/Remarks (5 minutes)
- Discuss the answers to the essential questions.

Lesson 3: Let's Learn to Budget

Lesson Overview: In this lesson students will learn about budgeting. They will develop an understanding of what a budget it is and how it is used to maintain one's finances. Students will also learn how budgeting will apply to their learning in a practical setting for further financial literacy.

Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What is a budget?
2. Why are budgets important?
3. How do you keep a budget?

Anticipatory Set (5 minutes)
- Have the students answer the following question in their workbooks:

Why is it important to budget? How does a budget help you?
Facilitate a discussion about the responses.

Lesson Explanation (5 minutes)
- Ask the students what percentage of lottery winners wastes their money within a few years?

Wait for responses and tell them the answer: 70%.
- Ask how many NBA and NFL players are broke or bankrupt within five years of retiring?

Wait for responses and tell them the answer: over 60%.
- Talk about how people who do not have smart money habits or are financially illiterate make poor financial choices regardless of the amount of money they have.
- Further explain that these statistics show the importance of becoming financially literate, so that they do not fall into this statistic over time.
- This also shows the importance of why they (the students) need to learn how to budget their money.

Lesson Activity
- Explain to the students that you will be playing a budgeting game together to learn the importance of budgeting.
- Tell them that this will help them build an understanding of how important budgeting is for your personal finances.
- Follow the instructions below with the students.

Game Set Up:
Print out the "character worksheets" and have each student randomly pick out a character. These are also in the student workbook. Have all students with the same "character worksheets" get in groups together. Then hand out the "character lifestyle choices" worksheets to each group.

Game Objectives:
Student goals are to help the character reach the stated goal.

Game:
Instruct students to have one person read the characters story among the group and together they can adjust the characters lifestyle choices to meet the characters stated goals.
Upon completion have one person read the characters story to the entire class.
Then have someone from the group share how they help the character meet their financial goals.
Open the class up for discussion after each group presents.
Make notes on the board as to key points, life style choices and other items of interest.

At the end of all the presentation discuss those key points you wrote on the board.

Characters – Lifestyle Choices
Use the guide below to help your characters accomplish their goals.

Housing (includes: rent, water & gas)
$400 – You get a small bedroom and share a bathroom with 2 other roommates. Your apartment is in a bad location and you don't feel safe when you get home late at night.
$650 – You have a few roommates and get the small bedroom but are able to enjoy your own bathroom. This is in a pretty good location and a short drive from a lot of the places you want to hang out.
$1200 – You share a nice furnished loft at the center of town with a roommate. You have the master bedroom and when people come over they are impressed.

Car (Includes: payment, insurance, gas)
$300 – Your cars looks like a piece of junk but its paid for and gets you to where you want to go.
$500 – You have a nicer looking used car that gets good gas mileage.
$900 – You're turning heads with your ride and all your friends want to you to drive all the time.

Needs
$400 – This covers electric, internet connection, cell phone and really cheap food. A typical day's meal would include Mac & Cheese, Top Ramen, tuna, peanut butter & jelly sandwiches & tap water. You would not have money to eat out.
$800 – This would cover your electric, Internet connection, cell phone, basic cable channels and healthier food. You can eat out a few times a week and better food at home.
$1,400 – This covers your electric, Internet connection, cell phone, deluxe cable channels, home phone line and good food. You can eat out most meals and enjoy nicer meals from time to time.

Clothes
$50 – You pick up a new piece of clothing every other month and have decent clothes for most occasions.
$175 – You get one new complete outfit every month or two.
$450 – You get a new complete outfit with accessories every month.

Entertainment
$300 – You like to meet your friends after work for dinner. A typical weekend includes eating out with friends, a movie, and whatever activity is going on in your city (concert, festival etc.)

You are rarely home.

$200 – You usually go out with friends and eat at least once a week. A typical weekend includes one activity with friends and a night at home playing games or watching videos.
$100 – You go out with friends a couple times a month. You and your friends try to find inexpensive things to do around town to have fun.

Toys
$300 – You have to have all the latest gadgets.
$200 – You like your toys, but try to limit your purchases to a few a month.
$100 – You don't buy a lot of new toys, but you like to buy new apps, music and games for those you have.

Credit Card Minimum Payments
$250 – If you want it you get it.
$100 – You don't buy anything with your credit card, but you used it for a vacation last year.
$50 – You only use your credit card for emergencies you can't cover with savings.

Travel
$300 – You and your friends try to do at least one mini-vacation every long weekend. You also save up for a big vacation every year.
$200 – You take one big vacation a year and save up for it.
$100 – You do some traveling but usually stay with friends or family.

Savings
$50 – You save a little here and there.
$150 – You save regularly each month
$250 – You keep your emergency fund high and also save for big purchases.

Giving Back
$200 – You have become very successful and believe it is very important to pay it forward. You have a few charities you give to regularly.
$100 – You give a little each month to charity.
$50 – You give when it's the opportunity presents itself. Like when you run into girl scouts selling cookies.

Characters: (These are on the student cards)
Character: Carl

Jobs: Office Mail Room & Pizza Delivery. Take Home Pay: $2,147
Carl is 23 years old likes to live large. He has a brand new car, the latest clothes and rents an expensive apartment. Although it looks like he is wealthy he has no money in the bank, he has $12,650 in credit card debt and has to work two jobs just to pay his bills.

This month he has been late on his car payment and because of that the credit card company has increased his credit card payments.
He is starting to upset people in his life. He never has enough money to take his girlfriend out and when he goes out with his friends he never pays his fair share and they are getting tired of paying for him. He is taking a big risk because he does not have medical or car insurance. If he gets in an accident or sick he can be sued and have money taken out of his paychecks automatically until it's paid.

Carl tried to get a raise but since he didn't graduate high school he cannot be promoted.

He works 65 hours a week at an office mail room during the day and delivers pizzas at night. His gross pay is $3520 per month but after taxes are taken out he only brings home $2147 (rounded). His goal is to pay off all the debt in 1 year and take a trip with his friends that will cost $1000. Can you help?

Income
$3520 Gross Pay
Federal Tax (varies by income level) 25%
State Tax (varies by state & income level) 6.35%
FICA (Federal Insurance Contributions Act) 7.65%
39 % goes to taxes
Take Home Pay $2147

Carl's Current Expenses
Housing $1,200
Car (includes gas & insurance) $750
Needs (electricity, phone, basic food) $700
Clothes $400
Entertainment $100
Medical Insurance $0
Toys $0
Credit Card Debt $12,650 minimum payment $360 ($12,650 at 22%–need to make payments of
$1286 per month to pay it off in 1 year)
Student Loan Debt $0
Travel $0
Friends & Family $0
Savings $0
Giving Back $0

Total Expenses $3150
Take Home Income $2147
minus Total Expenses of –$3150
Carl is adding debt of –$1002 (rounded) per month

Character: Tonya
Job: Sales. Take Home Pay: $3,500
Tonya has a good paying job in sales that she doesn't like but it pays the bills. She has always loved design and working with animals and she wishes she could be designing marketing material and advertisements for a nonprofit that helps abused animals.

She graduated college with a degree in Communications and since she was in high school she has volunteered once per month with a nonprofit that helps abused animals. Her resume for her dream job is not the strongest but is good enough to get her the interview. To strengthen her chances of getting the job she is practicing her interviewing skills with her friends and creating marketing material to show potential employers.

She has interviewed for a position at job she would love to do but the pay is too low for her to pay her bills—they would only give her take home pay of $2750. Right now she makes $5000 a month gross and after taxes she brings home $3050.

Income
$5000 Gross Pay
Federal Tax (varies by income level) 25%
State Tax (varies by state & income level) 6.35%
FICA (Federal Insurance Contributions Act) 7.65%
39 % goes to taxes
Take Home Pay $3050

Tonya's Current Expenses
Housing $800
Car (includes gas & insurance) $550
Needs (electricity, phone, basic food) $700
Clothes $400
Entertainment $500
Medical Insurance $75
Toys $ 200
Credit Card Debt $3,650 minimum payment $65 ($3,650 at 22%–$371 payments per month to pay it off in 1 year)
Student Loan Debt $150
Travel $150
Friends & Family $200
Savings $0
Giving Back $50
Total Expenses $3840
Take Home Income $3050
minus Total Expenses Payments $3840

Tonya is adding debt of –$790 per month.

Character: Tim
Job: Brand Rep. Take Home Pay: $1,625
Tim just graduated college and has taken a job as a brand rep. He is into action sports and is working with a start up clothing company called Ethika. His pay is pretty low but he is able to travel the country and go to all the surf, skate, moto and snow contests. He makes $2700 gross and after taxes he takes home $1625. The company also pays for his travel and food about 10 days out of the month. He has built a reputation as a good worker and has developed a good network of other people in the industry.

Tim recently received an offer to rep for another company while he is a rep with Ethika. He has spoken with his boss and he said it was OK as long as it didn't take away time from his current job. This other job would give him an additional take home pay of $175 per month and he only would need to work an extra 4 hours per week to get that.

Tim's goal is to have 6 months of his rent, car, needs, medical, and student loan debt in his savings account within 1 year. These bills total $1225 per month. He needs a total of $7350 saved and already has $5900 saved. Having met with many people and asking a successful business person to be his mentor he thinks that once he starts his own business he can be earning $5000 to $10,000 each month within a year of starting his business.

Income
$2700 Gross Pay
Federal Tax (varies by income level) 25%
State Tax (varies by state & income level) 6.35%
FICA (Federal Insurance Contributions Act) 7.65%
39 % goes to taxes
Take Home Pay $1625

Tim's Current Expenses
Housing $400
Car (includes gas & insurance) $350
Needs (electricity, phone, basic food) $250
Clothes $0
Entertainment $100
Medical Insurance $75
Toys $ 50
Credit Card Debt $0
Student Loan Debt $150
Travel $0
Friends & Family $100
Savings $122
Giving Back $50
Total Expenses $1625

Tim has $0 money left over but is saving $122 each month and has the potential to earn another $175.

Character: Natasha
Job: Manager. Take Home Pay: $3,660
Natasha spent a year and a half working a low paying entry level job to build up enough skills to get the job she always wanted. Next week she is starting he dream job where she is managing a team of buyers for an import export business.

With this new job she gets a pay of $6000 and takes home $3660. Her medical is paid, she has a company car and she also gets a company credit card where she can take clients out to eat many times a week. She will be able to travel the world all expenses paid.

Her goal is to save $5000 in 10 months without touching her current savings and she doesn't want to take away any money from starting a business. She will use $1000 to rent out a nightclub and have a party for her and her 2 best friends that all have birthdays in the same month.

Although she is a few years away from launching her business she has started to prepare already and is investing in her future business $200 per month. This early investment in her business has included things like seminars, books and starting to network with likeminded people on social networking sites.

Income
$6000 Gross Pay
Federal Tax (varies by income level) 25%
State Tax (varies by state & income level) 6.35%
FICA (Federal Insurance Contributions Act) 7.65%
39 % goes to taxes
Take Home Pay $3660

Natasha's Current Expenses
Housing $1400
Car (includes gas & insurance) $0
Needs (electricity, phone, basic food) $800
Clothes $0
Entertainment $300
Medical Insurance $0
Toys $ 200
Credit Card Debt $0
Student Loan Debt $220
Travel $0
Friends & Family $200
Savings $190

Giving Back $150
Starting a Business $200
Total Expense $3260
Take Home Income $3660
Natasha has $400 left over each month and is investing in her business & saving $190 per month.

Character: Vince
Job: Sales. Total Income: $9220
Vince is a top sales person and works with a lot of his friends. He is making $14,000 per month and brings home $8120. He loves his job and his goal is to save up and purchase another rental property. He needs to save another $30,000 this year to do so. Once he buys this property he will have an additional cash flow of another $300. His long term goal is to have investment income of $4500 per month and move to Costa Rica where he can just live off that and maybe start some type of part time business.

He and his friend go out most weekends to have fun and entertain people they want to do business with. They get VIP tables, limos, concert tickets and tickets to sporting events to build their business contacts and deepen their relationship with current clients. He likes to have a good time but living on the beach of Costa Rica is his true dream.

Income
$14,000 Gross Pay
Federal Tax (varies by income level) 28%
State Tax (varies by state & income level) 6.35%
FICA (Federal Insurance Contributions Act) 7.65%
42 % goes to taxes
Take Home Pay $8120

Other Income
Cash flow from investments $1100
Total income $9220

Vince's Current Expenses
Housing $1400
Car (includes gas & insurance) $750
Needs (electricity, phone, basic food) $1200
Clothes $200
Entertainment $1900
Medical Insurance $75
Toys $ 500
Credit Card Debt $0
Student Loan Debt $100
Travel $400

Friends & Family $600
Savings $995
Giving Back $500
Continuing education $600
Total Expenses $9220
Take Home Income $8120
Investment Income $1100
minus total expense –$9220

Vince is able to save $995 per month and have a good amount of money he can spend on fun.

Character: Maria
Job: Business Owner. Take Home: $17,040
Maria started a catering company in high school and now she is making $24,000 per month.
Because she is a business owner and has a good accountant, she legally pays less in taxes (only 29%) and brings home $17,040 each month.

Her goal is to get out of debt this year and have $10,000 saved for emergencies and another $5000 to invest into her business for new equipment. With this new equipment she will be able to earn additional revenue of $2400 per month.

She likes the finer things in life and her closet is filled with clothes that she has not worn. She is impulsive and does not plan for her purchases. If she likes it she buys it and never looks for sales or discounts. She travels last minute and pays a lot more because she does not book her tickets in advance.

Income
$24,000 Gross Pay
Federal Tax (varies by income level) 15%
State Tax (varies by state & income level) 6.35 &
FICA (Federal Insurance Contributions Act) 7.65%
29 % goes to taxes
Take Home Pay $17,040

Maria's Current Expenses
Housing $3600
Car (includes gas & insurance) $1250
Needs (electricity, phone, basic food) $2100
Clothes $1700
Entertainment $2700
Medical Insurance $400
Toys $2800

Credit Card Debt $35,600 minimum payments $712 ($35,600 at 22%–$3471 payments per month to pay it off in 1 year)
Student Loan Debt $700
Travel $2500
Friends & Family $600
Savings $0
Giving Back $150
Total Expenses $16,512
Take Home Income $17,400
minus total expense –$16,512

Maria has an extra $888 per month but she doesn't know where that money goes.
Now students are to complete their own personal budget of their current situation and one that is reflective of life after they graduate college. Have the students complete their own personal budget plan under the "current" column. Using the figures below (included in their student guide), then have students create a future "sample" budget using the figures from the "characters – lifestyle choices" provided at the beginning of this section.

Use the guide below to help your characters accomplish their goals.
Housing (includes: rent, water & gas)
$400 – You get a small bedroom and share a bathroom with 2 other room-mates. Your apartment is in a bad location and you don't feel safe when you get home late at night.
$650 – You have a few roommates and get the small bedroom but are able to enjoy your own bathroom. This is in a pretty good location and a short drive from a lot of the places you want.
$1200 – You share a nice furnished loft at the center of town with a room-mate. You have the master bedroom and when people come over they are impressed. Housing (includes: rent, water & gas)

Car (Includes: payment, insurance, gas)
$300 – Your cars looks like a piece of junk but its paid for and gets you to where you want to go.
$500 – You have a nicer looking used car that gets good gas mileage.
$900 – You're turning heads with your ride and all your friends want to you to drive all the time.

Needs
$400 – This covers electric, internet connection, cell phone and really cheap food. A typical day's meal would include Mac & Cheese, Top Ramen, tuna, peanut butter & jelly sandwiches & tap water.
You would not have money to eat out.
$800 – This would cover your electric, Internet connection, cell phone, basic cable channels and healthier food. You can eat out a few times a week and better food at home.

$1,400 – This covers your electric, Internet connection, cell phone, deluxe cable channels, home phone line and good food. You can eat out most meals and enjoy nicer meals from time to time.

Clothes
$50 – You pick up a new piece of clothing every other month and have decent clothes for most occasions.
$175 – You get one new complete outfit every month or two.
$450 – You get a new complete outfit with accessories every month.

Entertainment
$300 – You like to meet your friends after work for dinner. A typical weekend includes eating out with friends, a movie, and whatever activity is going on in your city (concert, festival etc.)
You are rarely home.
$200 – You usually go out with friends and eat at least once a week. A typical weekend includes one activity with friends and a night at home playing games or watching videos.
$100 – You go out with friends a couple times a month. You and your friends try to find inexpensive things to do around town to have fun.

Toys
$300 – You have to have all the latest gadgets.
$200 – You like your toys, but try to limit your purchases to a few a month.
$100 – You don't buy a lot of new toys, but you like to buy new apps, music and games for those you have.

Credit Card Minimum Payments
$250 – If you want it you get it.
$100 – You don't buy anything with your credit card, but you used it for a vacation last year.
$50 – You only use your credit card for emergencies you can't cover with savings.

Travel
$300 – You and your friends try to do at least one mini-vacation every long weekend. You also save up for a big vacation every year.
$200 – You take one big vacation a year and save up for it.
$100 – You do some traveling but usually stay with friends or family.

Savings
$50 – You save a little here and there.
$150 – You save regularly each month
$250 – You keep your emergency fund high and also save for big purchases.
Giving Back

$200 – You have become very successful and believe it is very important to pay it forward. You have a few charities you give to regularly.
$100 – You give a little each month to charity.
$50 – You give when it's the opportunity presents itself. Like when you run into girl scouts selling cookies.

Lesson Review (5 minutes)
• Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
• Discuss the answers to the essential questions.

Credit Teaching Curriculum

Lesson 1: Debit vs. Credit

Goal: To provide students with an understanding of what debit cards and credit cards are, how they work, and the differences among them.

Lesson Overview: In this lesson the students will gain an understanding of what credit and debit cards are and how they differ from each other.

Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What is a credit card?
2. What is a debit card?
3. What are some differences between credit and debit cards?
4. Why is it important to recognize differences between credit and debit cards?

Vocabulary:
— Debit Card**:** Also known as ATM card, this alternative to cash allows you withdraw money directly from your bank account.
— Credit Card: Gives users a loan with arrangements to make payments on their purchases.

Anticipatory Set (10 minutes)
•Write the following quote on the board:
The only reason a great many American families don't own an elephant is that they have never been offered an elephant for a dollar down and easy weekly payments.

Mad Magazine

- Discuss the quote with the students and ask them to share what they think it means. Have them write their answers in their student handbooks.
- Ask the students what they would do to purchase something they really wanted but do not have the money for. Would they save, use credit, etc?
- Talk about the benefits and disadvantages of their ideas to purchase an item.
- Ask them what they think credit is. Facilitate a discussion based on this question.

Lesson Explanation (20 minutes)

- On the board write the words 'DEBIT' and 'CREDIT' on the board. Draw a line between them.
- Explain the following to the students about debit and credit cards. Write down important points underneath their section on the board to illustrate to students the differences.
- Debit Cards:

Debit cards are linked to a bank account.
When a debit card is used it automatically deducts the amount of the purchase from your bank account.
When you use a debit card you cannot make a purchase for more than the balance in your bank account. (If you have $400 in your account and want to make a $500 purchase you cannot with a debit card)
A debit card is an alternative to carrying cash.
When you use a debit card at some stores you can ask for cash back with your purchase.

- Credit Cards:

A credit card is a loan from a bank, store or company.
The lender makes the purchase for you and overtime you must pay them back.
The lender of your credit card charges interest each month until you pay them back in full.
When you use a credit card, if you do not pay off the card in full each month you are paying more than what you purchased the item for because of fees.
Many credit cards offer bonuses like gifts and airline miles with each purchase. Educated credit card users that pay their bills off in full each month can reduce the cost of other purchases.
In some cases, credit cards offer greater protection in case of theft.

- Talk about these points with the students. Help them understand what credit and debit cards are.

Lesson Activity (15 Minutes)

• Give each student various amounts of fake money and tell them they all have the credit card that has $500 on it for purchase with a 28% interest rate each month on all purchases.

•Then write on the board the following items:
Dinner for two: $75
Brand new outfit: $150
3 DVD's: $60
Day at the amusement park: $100
Lunch with friends: $35
4 video games: $200

• Ask the students to tell you what they can afford to purchase with their debit cards based on the money you gave them.
Have them tell you if they can purchase more than one item or not based on this amount.
• Ask them to tell you if they would consider purchasing with credit and why? Ask them when it is appropriate to use credit?
• Talk about these points.
• Share with the students that if they used credit and spent a thousand dollars for the year and just made the minimum payments they would end up paying $280 extra after one year. If they do not pay the balance in four years they could pay over a thousand dollars in extra expenses.
With this knowledge, does this change their perspective of using credit or debit on purchases?

Lesson Review (10 minutes)
• Discuss the importance of knowing the difference between credit cards and debit cards.
• Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
• Discuss the answers to the essential questions.
• Reiterate the importance of knowing the difference between credit and debit cards.

Lesson 2 Credit History

Lesson Overview: In this lesson students will learn about what credit history is. They will learn how credit history is your financial reputation and the importance of building a positive payback record with lenders.
Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What is a credit report or credit history?

2. Why is it important to have a good credit score?
3. What doors are opened in having a positive credit score?
4. Why is a negative credit score bad?

Vocabulary:
— Credit Report: A detailed report about a person's credit history, which outlines payback history, debt owed and paid; to help lenders determine credit worthiness for future lending.
— Credit Score: A measure of credit risk determined from one's credit history using a standard form of measurement.
— Financial Reputation: the worthiness of a person's personal financial payback history; the lower the reputation the less likely one-will payback debts.

Anticipatory Set (10 minutes)
• Have the students answer the questions in their workbook by filling in the two-column chart.
Workbook Question: What doors does having good grades open? What doors does having bad grades close?

Example: free time, praise from adults, college, scholarships, pride in oneself.
Make a two-column chart on the board.
Have students share their responses with the class. Write out common answers on your chart on the board.
Talk about why these opportunities are important.

Ask questions like:

.What benefits, do they bring? Why is it important to get good grades?
.Facilitate a discussion about this.
Then tell them a credit score is like your report card—it will open doors if it's high and close them if it's low.

Lesson Explanation (20 minutes)
• Remind students of the reasons why it is important to get good grades and how good grades open doors.
• Tell them that a credit score will open or close doors, just like good or bad grades.
• Ask to borrow something from a student. When you get the item tell the student that you are not going to pay them back.and walk away.
• Ask to borrow something else from another student—promise them that you will pay them back.
• Continue to ask students until a student turns you down. Then ask that student why? Facilitate a discussion about this.

• Explain to the students that a credit report is like a report card that grades you on how well and if you pay back money you borrow from lenders.
• If you pay back things you borrow all the time you get an A . . . if you pay your lenders late then you get a C . . . and if you don't pay them back you get an F.
• If your credit is a grade 'A' it's easy to borrow things because people know you will pay them back.

• Ask the students, "What credit grade did I have when I borrowed things and didn't pay them back?" Wait for responses and discuss. (They should say 'F')
• Also, explain that credit grades are computed to scores. The higher the score the better the grade.
For example, A score of a 740 equals a grade 'A', where as a score of a 550 equals a grade 'F.'
• Ask the students to write the kinds of things they can expect to get if their credit scores are high.

Write down their responses on the whiteboard.
Examples: less interest to pay when borrowing, more opportunities to borrow for large purchases like houses or cars, "rewards" from some credit cards that amount to free money goods/services.
• Ask them to think about what they do or should do to get good grades.
•Then ask them what they think people might do to keep their credit scores high. Write their responses on the board.
Give them lots of hints for this one and point them in the right direction. (How can you keep your credit score high?)

Examples:
1. Pay bills on time. Use online and automatic bill pay to avoid late payments.
2. Keep your debt (the amount of money you owe credit cards) low.
3. Have insurance to protect yourself—medical problems are the largest cause of bankruptcy and if you get in an accident without car insurance they can garnish your future wages and become a negative mark on your credit report.
4. Protect yourself from identity theft—check your credit rating at least once per year for free by visiting www.AnnualCreditReport.com.
5. Build your credit rating—when you're young and starting out you have no credit, which puts you onto bad credit territory so you need to use and build your credit rating.

• **Explain to the students:** Similar to school, if a student never completed any tests, class work or homework how would they be graded? This same notion applies to credit.

When you use credit your payback history is reported to credit bureaus. The manner that you pay back the lender is recorded with the bureau as a score.

Each time you succeed in paying on time you prove you can pay back money you borrow and your credit grade or score may increase.

Lesson Activity (20 minutes)

- Ask for two student volunteers.
- Tell them they need to walk around the classroom and they need to complete a scavenger hunt and write a list on the board of things they need to collect: Pen, binder, book, backpack and 1 shoe.
- First, have them leave the room for a few seconds and tell the class that when they come back, they will be instructed to ask their peers to borrow something.

- Tell the students in the class that when the other two students return they will each have a credit score on their back.
- Explain that they will ask the students to borrow certain items.
- Tell the students to treat the two students with credit scores on their backs as follows:

For the student with the higher credit score number on their back, tell the students they should:

*be extra polite
*give student whatever asked for
*even offer the student their chair to sit in while they get the item the student asked to borrow.
*offer them things they didn't even ask for
*tell them to have a great day, take care, etc . . . .

For the student with the lower credit score number on their back they should:

*tell them no
*only let them borrow something if they put a very high deposit down
*act surprised that the student would even ask
*guard their stuff as the student walks by

- When the students return, on their backs, tape a piece of paper that has a credit score on it (one shows "740 A+ Credit", one shows "540 F Credit"). Tell the class not to tell the students what their numbers are. Have them turn around so the class can see their numbers.
- Complete the activity.
- Once the activity is complete thank the participants and talk about what happened.
- Facilitate a discussion around the following questions:

Ask the students why the two borrowers were treated differently.
The one with lower score have a history of not paying back things they borrow. Where the people with higher credit score typically pay people back on time.
Ask the two borrowers how it felt?

Lesson Review (10 minutes)

- Ask the class how does this lesson put the importance of credit history in perspective to them?

• Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
• Discuss the answers to the essential questions.
• Reiterate the importance of maintaining a positive financial reputation.

Lesson 3: What Is Credit?

Lesson Overview: In this lesson students will develop an understanding of what credit is. Students will also understand how credit functions within purchases, what finance charges are, and why credit is needed in one's financial life.

Essential Questions: At the end of the lesson your students should be able to answer the following:
1. Why is credit important?
2. What is an interest rate?
3. Why do you pay interest on your purchases with a credit card?
4. How can you have a credit card and not pay finance or interest charges?

Vocabulary:
— Interest Rate: A rate that is charged for borrowing money from a lender; usually in the amount
of a percentage of your total balance owed.
— Interest: The fee that is charged by a lender for borrowing money; this amount is usually determined from an interest rate.
— Lender: A company, organization or person that lends money to a consumer.
— Grace Period: The time a lender allows between your purchase and payment where they do not charge you any interest. This is typically around 30 days.

Anticipatory Set (10 minutes)
• Ask the students to answer this question in their workbook, "Do you think that people are more
likely to buy something they do not need when they use a credit card?"
Make sure they explain why they believe a person may or may not do this.
• Once this is complete, have the groups share their answers and facilitate a discussion about this.
• Tell the students that in this lesson you will discuss how when you use credit it adds up to less money in the bank. However, if they choose to pay the money they borrowed back within the grace period there can be benefits.

Lesson Explanation (20 minutes)
• Begin the explanation by reviewing a few ideas from last time. Ask the students the following:

What's the difference between buying something with a debit card and buying something with a credit card?

- Tell them that a credit card is something that the bank (or lender) uses to lend you money to pay for a purchase and charges you interest – an amount of money plus the cost of the item. The longer you take to pay off the item, the more interest you will pay to the lender.
- Talk about this with the students. Make sure they understand that when they use a credit card for a purchase, they will pay the lender interest on the purchase until they pay off the item. Explain to them that this is how the lender makes money.
- Let them know that to avoid this they must pay off the purchase in full each month.
- Explain to the students to avoid using credit, they can save for their purchase and then pay with cash.
- Next write the numbers below on the board to illustrate the concept of what it looks like to use credit and to purchase with saved money. Point out the benefits and negatives of each.

Good Credit:
Purchases $1000
Interest Rate 7%
Monthly Payment $10
Years to Pay off amount 12 years
Interest Paid $440
Actual Cost $1,440

Bad Credit:
Purchases $1000
Interest Rate 27%
Monthly Payment $23
Years to Pay off amount 12 years
Interest Paid $2,312
Actual Cost $3,312

Making Purchase with Savings:
Purchases $1000
Amount Saved each month $125
Months to save up $1000 8
Interest Earned the money in savings $30
Actual Cost $970

- Ask them why people have credit cards then?
- Explain that credit cards can be an excellent tool to help you build your credit rating. Emphasize the importance of paying credit cards back in full that same month . . . let

them know by using their credit card and paying it off in full they build their credit without incurring any interest expenses – essentially they are building their credit rating for free.

WARNING: Before obtaining any credit cards make sure you have six months of your bills saved, a working budget and are able to control your spending. Also be sure to commit to yourself to pay back the balance in full each month. By doing so you can build your credit rating and not pay any interest.

Lesson Activity (15 minutes)
- Explain to students they will participate in an exercise. They are going to complete the activity in their workbooks in small groups.
- The activity is outlined in their workbook and below for your review:

Step 1: Look at the items below and determine the best method for purchasing the items. You can choose, save money over time, cash, and credit. Make sure to defend your choices.
Extra Money you have: $400
Amount of Credit: $1000
Item 1: New computer for school: $800
Item 2: New clothes for summer: $500
Item 3: Birthday present for a friend $100
Item 4: Brakes for your car: $250
Item 5: New TV for your room: $475

- The students are to choose the best payment option and then defend their reason.
- Once this is complete, come together and talk about why they chose the options they did.
- Encourage them to reflect upon their answers and add suggestions. Remind them that they want to carefully build their credit overtime, so some usage is ok.

Lesson Review (10 minutes)
- Ask the students, "What are the plusses and minuses of purchasing something with credit or cash?"
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
- Discuss the answers to the essential questions

Lesson 4 Good Debt vs. Bad Debt

Lesson Overview: In this lesson students will identify the differences between debts. They will learn about good debt and bad debt, as well as the differences among them to determine what type of debt is best to build a positive credit history.

Essential Questions: At the end of the lesson your students should be able to answer the following:
1. What is good debt?
2. What is bad debt?
3. What type of debt is a home loan considered and why?
4. What type of debt is a credit card considered and why?

- Explain Good debt: Helps people get into a better financial situation. This can be achieved through an increase in the value of the asset (property, investment, your personal skill level) or through cash flow (income).
- Explain Bad debt: This is often found with unnecessary purchases and does not offer any potential to better your financial situation.

Anticipatory Set (10 minutes)
- Write the following question on the board and have the students complete the answer in their workbooks.

What is good debt and what is bad debt? Make sure they explain how they came to that conclusion.
- Once they have completed the question, talk about their answers as a class. Focus on facilitating

a discussion about what is good debt and bad debt is, to warm them up for further explanation.

Lesson Explanation (40 minutes)
- Discuss with students the importance of using credit to establish a positive financial reputation.
- Explain to them that to establish a positive credit report and financial reputation; it is inevitable that they will take out debt over the course of their lifetime.
- To build positive credit history, explain that it is important to strive to obtain debt that is good, rather than bad.
- Ask them to tell you what they think good or bad debt is. Recall information from the prior discussion in the anticipatory set.
- Explain to them that any debt, as a whole, is not good. However, there are some types of debt that are considered good because of the investment value they hold.
- Explain that any type of debt (good or bad) increases their risk.
- Explain that acquiring debt on investments can help them get a higher return on their investment-meaning they are able to make more money but also carry greater risk.
- Go through the types of good debt and bad debt below with the students. Make sure to facilitate a discussion while explaining the information.

- **Good Debt:**

Investment Loans: For investment experts that have a high level knowledge and a trusted team of advisors, investment loans can help them gain leverage to earn a higher return on their investment.

Loans for Income Producing Real Estate: This is considered a good type of debt because the people you rent the place to pay down your loan, you may earn an income and if purchased in the right area, at the right time, this can increase in value.
Business Loans: For entrepreneurs looking to expand and grow their business taking on a business loan may help them.

Education Loans: Student loans and other investments that finance one's education can be good debt depending on how well you plan. Since individuals with degrees tend to make more over their lifetime (typically around $500,000 more) than those who do not, this can be considered a good investment. However, student loans can be bad debt if you drop out before finishing your degree. Also, if you choose an expensive school to study a profession that doesn't pay well, it can also be considered bad debt. It is important to minimize any student loan debt so you can avoid the stress associated with paying it back. Typically, no interest is accrued and student loan payments are not made while the student is in college.

Home Loans (for a property you live in): This may be considered a good or bad debt depending on your investment strategy. Purchasing a home may be a good investment because, in many locations, the value can increase over-time. In other locations, home prices decline over time and this bad debt causes people financial strain.

- **Bad Debt:**

Credit Cards: Essentially, any type of credit card is considered a bad debt. Credit cards carry high interest rates, finance charges and other charges. Retail stores, banks and other companies offer credit cards to consumers. Regardless, of where the credit card is from it is considered bad debt. For most this is typically a bad debt; however, this can be a good debt if you pay the money you borrow back each month as it will help to increase your credit score and you do not incur any interest charges.

Personal Loans: Personal loans are cash loans from a bank or company. These types of loans are not a wise type of investment. Like, credit cards they carry high interest rates. While you may need access to cash fast this type of loan is not the best choice.
Pay Day Loans: Pay Day loans are similar to personal loans, however, in most cases you guarantee to pay it off with your next paycheck. Therefore, the amount loaned is usually limited to the amount of your paychecks. They also hold high interest rates and allow the lender to deduct the amount of the loan from your next paycheck.

Car Loans: Since a car declines in value and offers no income this classifies it as bad debt.
However, in today's age you often need a car to earn income; this would classify it as good debt. To help ensure your car purchase leans toward the good debt side keep these tips in mind. Purchase used cars (new cars lose up to 30% of their value immediately) shop for a good deal, minimize unneeded extras and shop for the best car loan.

- Explain to the students that, some bad debt is unavoidable but it is important to identify the situation and determine which type is the best to use if cash is not an option.
- Talk about the differences between bad debt and good debt. Discuss why each are considered the way they are.

Lesson Activity (20 minutes)
- Break students into small groups. Have them complete the chart in their workbooks, to identify what type of debt is good or bad and why.
- Help students as needed to complete the activity and then briefly discuss their answers as a class.

Lesson Review (10 minutes)
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
- Discuss the answers to the essential questions.
- Reiterate the importance of knowing what bad and good debt

Investing Curriculum

Lesson 1: Why People Invest

Lesson Overview: Students will gain an understanding of what investing is and why people invest. This understanding will help students make informed investment decisions in the future.

Essential Questions: At the end of the lesson your students should be able to answer the following:
1. What is investing?
2. Why do people invest?
3. What is a financial risk?

Anticipatory Set (10 minutes)
- Ask the students what they think the word investing means? Ask them to tell you what it is to them.

Listen and discuss their responses.
Tell them one of the top goals of investing is to earn a return on investment.

Lesson Explanation:
- Explain to the students that there are many reasons why people invest their money. However the top reason to invest is to see a return (profit) on the investment.

- Go through the reasons why people invest below:

Financial Security: Many people decide to learn more about investing because they want to feel secure financially. They don't want to worry about bills and being able to afford those things they 'need.

*Remind them of the lesson need vs. wants.

Lifestyle: Earning money through investing can help people afford a desired lifestyle so they can afford those things they 'want'. Investing can also be a way for people to get their money working for them (instead of having to work for every dollar) to free up time to live the lifestyle they desire.

Retirement: Most people today rely on Social Security (a social welfare program that provides people over the age of 62 monthly payments) and Medicare (a social welfare program that provides older people medical insurance coverage) to retire. Unfortunately, for people under the age of 35 today, the SSI and Medicare system will likely be bankrupt by the time you reach retirement age so you will likely receive no or very limited benefits. This means you need to plan for your own retirement early.

Beat Inflation: Inflation is defined as 'too many dollars chasing too few goods.' When this
happens prices go up.

- Tell the students that if they don't invest you actually are losing money.

Inflation – many people use a rough 3% figure to calculate the average inflation per year.

- Ask the students to determine the value of $100 in 33 years using a 3.1% inflation adjusted figure rounded to the nearest dollar.

Help them determine the answer.

Answer: Less than $41

- Read the following case study to the students:

The Federal Reserve is the central bank of the United States. It is not a part of the government; however the Federal Reserve is supposed to work within the framework of the overall economic and financial policy established by the government. It is primarily funded through the interest on US government securities. One of their duties is to regulate money supply. In 2010 they increase the money supply by $600 billion dollars. This is commonly referred to as printing money, although in today's age they are able to just electronically create money.

Knowing what you learned about inflation, what you think might happen to inflation – increase or decrease?

Also, explain there are many other factors that go into inflation but money supply is one of the leading contributors.

This is also known as monetary inflation.

- Go through the chart on inflation to help students understand inflation over time.

Lesson Activity (20 minutes)
- Go through the scenarios below with the students.

Discuss the scenarios and answer any questions with the students.
Note: This can also be completed in students group too.
- Scenarios:

If you are earning 1% in a savings account and inflation is at 3% are you able to purchase more or less next year?

What if you were earning 7% on a stock market investment with 3% inflation would you be able to purchase more or less next year?

What if your bank offered you a CD at 4% but you had to keep your money in for 5 years.

In year 1 if the inflation rate was 3% would that give you greater or less purchasing power?
What if inflation jumped up to 8% in the second year, would that investment still makes sense for you?

Lesson Review
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks
- Discuss the answers to the essential questions.

Lesson 2: Opportunity Costs

Lesson Overview: Participants will understand what opportunity cost is when making investments.

Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What is opportunity cost?
2. Why is a mutual fund?
3. What is a certificate of deposit?

Anticipatory Set
- Have the students answer the following question in their workbook:

Your two favorite things to do are snowboarding and party with your friends. This Saturday you just found out your best friend is having a big party but you also were invited to go snowboarding. There is no way you can do both.
.What is the opportunity cost of going snowboarding?
.What is the opportunity cost of going to your best friend's party?

Lesson Explanation:
• Explain to the students that opportunity cost is the cost of passing up the next best choice when making a decision.
• Tell them that this is relative to investing because every time someone invests they may be passing up a more lucrative opportunity.

Example: Raul is a relatively conservative investor. The thought of a high-risk investment scares him and he would rather let his money earn over time. His cousin Sammy encourages him to invest in a high-risk investment option where he can double his money in 1-year. He declines and Sammy's money does, indeed, double. Raul still doubles his money but in 4-years.
This is an example of opportunity cost. Raul chose a different route and it resulted in a slower return on his money.
• To make the best decision with the lowest opportunity cost, it is important to be well informed of all the types of investments there are.
•This way, someone is able to make informed decisions and minimize opportunity cost.
• Go through the types of investment options below with the students. This will help them build their understanding of opportunity cost.
The information is also in their workbooks.
• Please note these are sample rates of return as of January 2011. These will vary greatly in the future so be sure to inform students.
• Explain the following accounts to the students:
Note: These account definitions are in the student workbook as well.

Savings Accounts:
Definition: A deposit with a bank or credit union that earns interest.
Returns: Low, typically well below inflation. Currently most savings rates are under 1%.
Benefits: Able to access money fast and safety of principle.

Risk: Very low risk–insured by the FDIC banks or by the NCAU for credit unions.
Liquidity: Can access money instantly; however with larger amounts there may be some delay.
Cost to access money: $0
Risks: Having returns lower than inflation rates.

Certificates of Deposits (CD's):
Definition: Short and medium term debt instruments offered by banks and credit unions. CD's are similar to savings accounts except they typically have a higher interest yields

and have set time lengths. For example common CD terms are 3 month, 6 month, 1 year, 2 years and 5 years.

Returns: Low but typically higher than savings accounts. The more money you have to invest in CDs the larger return you can earn. A current 1-year CD rate with $10,000 is around 1.4%.

Benefits: Safety of principle and higher return than typical savings accounts.
Risk: Very low risk of loss of capital because they are insured by the FDIC banks or by the NCAU for credit unions. However the longer term CD you choose the higher risk that it will earn a return less than inflation.

Liquidity: CD's vary on their liquidity. Cost to access money: $0 as long as you wait until maturity date. If you sell before the CD 'maturity date' you will likely pay penalties.
Note: Money Market accounts have similar qualities but are typically shorter in nature, often maturity dates of 1 year or less.

Annuities:
Definition: An annuity is a contract created between an individual and insurance company that will later be distributed back to the individual over time.

Returns: Vary. There are fixed annuities that offer returns higher than CDs and savings accounts. There are also variable annuities that offer higher returns than fixed annuities. Current rates now for a fixed annuity are about 3% while variable annuities can be around 6%.

Benefits: Are good vehicles to create income streams and some annuities offering protection
of capital.
Risk: Varies with the annuity; however common risks include lack of liquidity and inflation risk. There is also a smaller risk of loss of capital investment if the insurance company that insures the annuity fails.

Liquidity: Most annuities allow for some type of distribution penalty fee; however you likely won't have access to all your money immediately without large penalties.

Individual Stocks:
Definition: An instrument that signifies a stockholder is part owner in the corporations. A more detailed explanation of stocks is included later in the chapter.

Returns: The stock market average return is over 10% when looking at a 50-year history. Plus when investing in an individual stock, experienced investors have a chance to earn large returns.

Benefits: Have the potential to earn returns that exceed inflation. Many people that invested in Microsoft, Wal-Mart and other stocks have become millionaires.

Risks: You can lose 100% of your money.
Liquidity: You can sell stocks anytime the market is open and many stocks you can trade after hours. Cost to access money: Trading fees that range from $10 to $120 per trade.

Mutual Funds:
Definition: Are operated by an investment company and raises money from shareholders then invest that money into assets that aligns with the stated investment objective.
Returns: Vary greatly upon type of mutual fund investment. Types of mutual fund investments are described in the 'stock investment' lesson in this chapter.
Benefits: You have a wide selection of mutual funds to choose from to meet a variety of investment goals. The returns that one can expect are tied to the amount of risk one is willing to take.

Risk: Vary greatly depending on the type of mutual fund you invest in however you can lose a substantial portion of your capital investment.

Liquidity: Most mutual funds are liquid and like shares can be sold the same or next day at NAV (Net Asset Value). There are different types of mutual fund classes that you can choose– some will penalize you for an early withdrawal.

Bonds:
Define: A bond is an investment in debt. The investor receives a contract from the organization borrowing money that they will repay borrowed money with interest at fixed intervals.

Returns: There are a wide variety of bonds available. Bonds have a price and yield however; for this example the yield (interest) will be explored. US Treasury bonds are considered the safest and currently earn a return under 1%. Other form of municipal bonds (bonds issued by cities, counties, etc) varies depending on safety of investment but typically range from 2% to 5%. Corporate bonds again vary depending on risk of investment and currently range from 4% to 20% for very high-risk bonds (also known as 'junk bonds').

Benefits: Typically less volatile than stocks and are often used by investors to stabilize value of their portfolios. Income is received at regular intervals and there may be tax advantages with some bonds.
Risk: Varies depending on bond. If you choose a high-risk bond and the company that issued the debt goes bankrupt you could lose your entire investment – Default risk.

Interest rate risk bond prices have an inverse relationship to interest rates. When one rises, the other falls so if you sell before it matures you could lose money. There is also inflation risk.

Liquidity: Not as liquid as stock investments and if a bond is downgraded or in default there could be trouble getting out of the investment.

Real Estate:
Defined: Real estate investments can range from buying your own home, to a rental property, to commercial buildings.

Benefits: There are several benefits associated with real estate: appreciation (property goes up in value), cash flow (rental and income producing properties), potential tax benefits and leverage.

Risks: Depreciation, housing prices fall. Most people purchase real estate with a loan – if at anytime you lose a job or have other financial hardships you may not be able to pay the loan back.

In cases like this you may have to short sell the home (sell it for less than the house is worth) or have your home foreclosed (the lender takes back the home) and in both cases you would lose the money you invested in the home, plus it would negatively impact your credit rating.

Benefits: Rental property you can benefit from appreciation (prices going up), cash flow (income from the rents you collect) and potential tax benefits. The benefits of owning a home you live in include appreciation and potential tax benefits.

Liquidity; in good real estate markets you can sell within a few months. In bad real estate markets it may take years to sell at a deep discount. Cost of sale about 8% of the home sales price.

Lesson Activity (20 minutes)
- Have the students complete the scenarios below. In each scenario they are to identify if they would take the risk, what is the opportunity cost and identify the investment in the scenario.
- Have the students complete this in groups and discuss their thoughts about the scenarios and investments with each other.

This will build a conversation of different opinions, which is important to get when considering opportunity cost and investments.

- Scenarios:

You are looking to purchase a rental property in 6 months. You have $25,000 in your checking account that is not earning any interest. You would like to see the $25,000 working for you.

What investment(s) may be good to make?

You are looking for an income stream when you retire. You have calculated out exactly how much you need to live and don't have extra money to make riskier investments. Which investment is right for you?
You are young and willing to take educated investment risks that earn high returns. What investment options may be best for you?

You need access to your money in a month. Where should you put your money?
You want to save money to eventually purchase a home. You plan to buy a home within 5 years but will do so sooner if your money earns you money. What is the best type of investment?

- Once complete discuss as a class. Talk about what options are best, risky and safe with the students.

Lesson Review
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks
- Discuss the answers to the essential questions.

Lesson 3: Exactly what is the Stock Market?

Lesson Overview: Students will learn what the stock market is and how it is relative to investing.

Essential Questions: At the end of the lesson your students should be able to answer the following question:

What is the Stock Market?

Lesson Explanation
- Tell the students let's talk about the stock market. Who's heard of the stock market? That is something you should learn more about. Did you know that when you own a stock you own part of the company?

- Would you like to own a piece of these companies?

Apple, Disney, Google, Dell, Game Stop
How would it feel knowing you are part owner the next time you buy that game or computer knowing that's part of your company?
• Explain to the students that there are many different types of financial markets: stock, bond, option, and futures markets are just a few.
• Tell them that the stock market is one piece of the overall U.S. financial market. When comparing it to all the other markets, the stock market offers the best returns for a young adult investor. It's a great place to get started and get involved in investing.
•The stock market is a market for the trading of company stock and other financial securities. A stock is genuine partial ownership in a company. If you own 10,000 shares of a company with 1,000,000 outstanding shares, you would own 1% of that company.
•The stocks of companies are listed and traded on stock exchanges. The stock of companies in the United States is listed on several different exchanges; for example, the New York Stock Exchange (NYSE) and the NASDAQ.
• Explain that when trading, stocks are bought and sold by bidding. When the bid price (price buyer is willing to buy at) and ask price (price seller is willing to sell at) match, a sale takes place—this means that prices can fluctuate day-to-day, and the worth of the stock you own can change, depending on demand for the company's stock.

• Explain how buying and selling works within the stock market:
Let's break it down. A stockbroker is the middleman. He sells or buys stock on your behalf.
The reason is that stock transactions must be made between two members of the exchange—you can't just walk into a stock exchange and start trading stocks. So, you're going to be using a broker to invest in stocks.

In addition, stockbrokers may also offer financial advice to their clients on which stocks to buy. (Bare in mind, they're on commission—everyone's after your hard-earned money!)
Therefore, a basic *stock market transaction* works like this:
You à Broker à Electronic Exchange à Broker à You

• Explain that your money travels along the arrows. You might be meeting your brokers face-to face or talking to them over the phone (which is common).
Some newer transaction services offer stock brokering online (these usually have the lowest commissions).

• Tell them before you buy or sell one single share of stock, you'll want to understand The Basic Principles of the Stock Market:

Supply and demand. This is a fundamental rule of economics, and what you need to know is that the stock market runs according to this rule.

•Supply is the quantity of stock shares available for sale. Demand is the number of stock

investors are willing to purchase at a given price. If supply is greater than demand, in the case of stocks, then the price will naturally fall. If supply is less than demand, the price will go up.

•This basically explains why stocks prices go up and down, but the reason for greater interest (or lack of interest) in a stock is more related to the company's performance, or gossip about the company's future, and technical factors.

Risk and Return. Just like supply and demand, risk and return have a correlative relationship, or at least they should if you're getting a good deal. If you're investing in something with low risk, then you probably won't be expecting high returns.

.The opposite is true of high-risk ventures, where you would expect higher returns in exchange for risking your money (which you could lose!). For instance, if you invest your money in a brand new company that does not have a proven track record--that is a high risk investment. That company could easily go out of business, and you would lose everything. On the other hand, it could be successful, and you would make a lot of money.

Once you have established a solid savings account and have a lot of knowledge on how to choose individual stocks, it's OK to allocate a small portion of your portfolio to riskier investments, but not before!

Ownership. As amazing as it sounds, owning a stock makes you a co-owner of the company. With ownership, you gain a voice in the company's business. You can vote at meetings and take a real interest in the inner workings of the company you invest in.

.There is an important difference, though: "limited liability." if something bad happens in your company, they can't haul you off to prison for it (just think Martha Stewart being carted off to jail in handcuffs!). The people in your company who break the law are the only ones who go to jail for it, not you. The most that can happen to you is your stock becomes worthless.

Lesson 4: Investment Vehicles

Lesson Overview: An overview of various investment vehicles will be provided to participants. In this overview students will learn about types of IRA's and 401k's as a way to invest in their future.

Essential Questions: At the end of the lesson your students should be able to answer the following:
1. What is a Roth IRA?
2. What is a traditional IRA?

3. What is a 401K?

Anticipatory Set
- Have the students write down their thoughts on the following question:

Why is it important to consider saving for your future?
- Discuss their responses.

Lesson Explanation

- Explain to the students the importance of saving for retirement or their future.
- Talk about the social security epidemic and how many rely on social security as retirement money, but that will not be a viable option in the future.
- Explain that it is important to start saving for retirement now.
- Tell them that when saving for retirement it is best to look beyond traditional savings or investment accounts and consider another 'investment vehicle' to use.
- Tell the students that there are many types of investment vehicles to use that are designed for saving for retirement.
- Explain the following retirement investment vehicles:

IRA – This is an Individual Retirement Account, designed for a person to set aside money each year towards retirement. There are two types of IRA's traditional and Roth. Both types of IRA's have early withdrawal policies.

.Traditional IRA – An IRA that you set aside pre-tax income and must pay taxes on the income upon withdrawal of the money.

.Roth IRA – An IRA that you set aside after-tax income and you do not pay taxes upon withdrawal of the money.

. 401k – is similar to an IRA where a person pays taxes on when they withdraw and they are able to invest pretax dollars. The main difference is that a 401k is employer sponsored and there are different contribution limits. Some employers will match the amount of the contribution the employee invests.

- Make sure to compare and contrast the types of retirement investment vehicles.
- Explain to the students the reasons why it is important to use one of these accounts to save for retirement.

Lesson Review
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks
- Discuss the answers to the essential questions.

Asset Preservation Course Curriculum

Lesson 1: What is Insurance?

Lesson Overview: Students will understand, in general what insurance is. This understanding will provide an overview of the industry and the concept of purchasing insurance.

Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What is insurance?
2. Why is it important to have insurance?
3. What do you need insurance for?

Anticipatory Set (10 minutes)
- Explain to the students that you have to select 10 people (or choose a figure that represents 10–15% of students in class) in class to stay one day to collect trash for two hours.
- Tell them sorry they are making you do it.

Explain that you are going to randomly select names and there is a good chance you won't be chosen.
- Explain that you have two options;

They can have their name in the drawing of randomly selected students
OR
They can have insurance that they will not be chosen if they chose do a 30-minute homework assignment one night this week.
- Ask the students that choose to do the homework 'insurance' assignment to sign their names on the board.
- Explain that if they miss their payment (turning the homework assignment) their name will be placed in the random drawing.
- Once you have the class buying into this skit, let them know you are kidding and transition to a discussion on insurance.

Lesson Explanation (15 minutes)
- Ask the students what they think insurance is? Make sure this is in general, and non-specific to a type of insurance.
- Ask them what they think the main function of insurance is, too?
- Explain that insurance is:

An agreement that states something is protected if it is damaged, hurt, or stolen. Essentially, when you purchase insurance on something it can protect your investment. If anything happens that is covered by the policy you can receive funds from the insurance. Discuss this with the students.

•Then ask the students why people purchase insurance, to insure their car, homes, items or themselves (medical and dental)?

Why is it important?

• Tell the students that people purchase insurance to have protection for the what-if 's in life.
You never know if you may get some type of illness, break your arm or need to have medication for something. So it is important to have medical insurance to cover these costs.
Just like you need to insure your car to have protection against any damages that may happen to your car. For example, if you get in an accident you insurance will help pay for the repair or replacement of the vehicle.
It is important to insure your belongings if you rent an apartment or house. Renter's insurance protects your items and belongings in your place if anything happens to the apartment or house. For example, renter's insurance protects your belongings from theft, damage from the building (leaky pipes, roofs, etc.). If something happens to them they are replaced or you are reimbursed for the purchase price.
• Explain to the students that often times the risk of something happening is very low so why would need insurance on the item or thing then?

Give the following examples:

Ashley just got a new car. She has never been in an accident and is a very responsible driver. She does not want to purchase insurance on her car because her risk is very low. She thinks, "why am I going to pay for something, I may never use?"

Talk about why it is still important to purchase car insurance for the following reasons:
*It is the law in many states
*Just because you are a good driver doesn't mean that accidents can't happen.
*Can you afford to replace or repair your car if it's damaged?
*Can you guarantee that everyone on the road is a great driver and they won't hit your car?

Explain that many people think that just because they don't have any money someone cannot sue them. This is false and completely wrong.

•Someone can sue you and they can garnish your wages until it's paid in full!
•Explain that it is EASY to cause 100k in damage with a minor fender bender at a traffic light.

Example: Expensive cars can run up to 20k just for bumper replacement.

Explain the following:

.Robert just got hired working part-time at a retail store. His employer provides medical insurance but his check will be deducted $100 per month ($50 per check) for the

insurance. Robert has not been to the doctor's in 2 years and thinks that it is not worth purchasing. He is a student and really needs the extra money so he opts not to get the medical insurance.

*Talk about why it is important to have medical insurance, even though you may be young and healthy.
Give the following reasons:
Can you afford to pay for a doctor's visit without insurance?

Depending on the type of doctor and practice it can cost from $95–$265 per visit.

✧Insurance co-pays: $5–$50 per visit.

Are you certain you won't hurt yourself or catch some type of cold?

Do you have allergies, wear contacts or need any other type of regular prescriptions?

Can you afford those medications without insurance?

✦On average prescription generic medications start around $50.

✧✧Insurance co pays usually around $5–$20.

• It is important to highlight the concept of why it is important to have insurance even though you may not need it as often as you think.
Also, highlight the importance of what insurance is again.

Lesson Activity (20 minutes)
• Explain to the students that we are going to play a game.
• You will need a set of dice for every 6–8 students.
• Pass out 20 raffle tickets to each student for some type of prize (healthy snacks, etc.).

The student with the most tickets at the end wins.
• Tell students they can choose to give you 3 tickets to cover car, medical and renter's insurance –Or they can keep all 20 tickets.
• If they do not give you any tickets they will have to pay tickets each time something happens.
So explain that if they give you 1 ticket now for each type of insurance they are insured. If they do not then they will pay their tickets when something happens.
• Have each student in the group alternate turns rolling the dice.
•When the game is complete talk about the needs for insurance.

• Use the guidelines below:

Doubles – nothing, they are extra safe and get 1 extra ticket.
3 – They fall and hurt their leg. If they have insurance they pay 1 ticket. If they do not have medical they pay 4 tickets.
4 – They get into a car accident. If they are insured they pay 1 ticket. If they are not they pay 6 tickets.
5 – Their apartment is broken into and need to replace their electronics. If they are insured they pay 1 ticket. If they are not they pay 5 tickets.
6 – They get the flu and need to have prescription antibiotics and blood test. If they are insured they pay 1 ticket. If they are not they pay 4 tickets.
7 – Someone hits his or her car in a parking lot. If they are insured they pay 1 ticket. If they are not they pay 3 tickets.
8 – A pipe bursts in their apartment and ruins their couch and TV. If they are insured they pay 1 ticket. If they are not they pay 6 tickets.
9 – A rock hits their car and breaks their windshield. If they are insured they pay 1 ticket. If they are not they pay 5 tickets.
10 – They trip and fall and sprain their ankle. They need crutches, an x-ray and pain medications. If they are insured they pay 1 ticket. If they are not they pay 8 tickets.
11 – They want to get the flu shot to protect themselves. If they are insured they pay 1 ticket. If they are not they pay 3 tickets.
12 – The roof collapses and damages all their belongings. If they are insured they pay 1 ticket. If they are not they pay 10 tickets.

Lesson Review (10 minutes)

Discuss the importance insurance.
- Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
- Discuss the answers to the essential questions.

Lesson 2: What Insurance Do I Need?

Lesson Overview: An in-depth knowledge of how to determine what type of insurance one need's will be taught, as well as an overview of the various types of insurance.

Essential Questions: At the end of the lesson your students should be able to answer the following:

1. What types of insurance are there?
2. What types of insurance do I need to obtain?
3. What type of bill is the leading cause of bankruptcy that can be prevented by insurance?

Anticipatory Set (10 minutes)

•Write the following question on the board and have the students write what they think the answer is in their workbooks:
What type of bill is the leading cause of bankruptcy? Also, how can this bill be avoided?
Answer: Medical Bills

*Discuss how the bill can be avoided and how medical insurance plays a role within this question.

Lesson Explanation (30 minutes)
• Ask the students why it is important to have insurance?
Discuss their answers together.
•Then ask them what kinds of insurance is it important to have?
Discuss these answers together.
• Explain that it is important to have the following types of insurance:
Health – This includes, vision, medial and dental insurance.

.Health insurance is a must. If you don't get sick often, there are cheaper forms of insurance that will protect you in case of a major medical emergency.

Automobile – Insures you and your vehicle

.Automobile insurance is a must. Talk to your insurance agent and make sure you have enough coverage.

Renter's Insurance – Covers your personal belongings in the place that you rent.

.Renters insurance is important for those with nicer things. If have a 20 year old TV and a couch you found in the alley–this insurance may not be so important.
The types of insurance listed below are important to have once the students become established in a career or own properties.

.Explain that the students are going to learn extensively about renter's insurance, health and automobile insurance.
Property Insurance – Covers any properties that you own.

Umbrella Policies – Provides additional coverage on the insurance policies you have and additional protection that covers accidents and other issues that medical, property and auto insurance policies don't.

Life Insurance – Provides your loved ones coverage in case of death.

.Will or trust – although not insurance per say these will help your family avoid probate.
. Explain that it is not needed until you have things you value but important to get once start to acquire assets.

• Tell them that insurance protects your financial future by reducing your risk. Without insurance, if you have an accident or any health problems you may have to pay a large bill and that may have a negative effect on your credit.

In today's age, it is incredibly important that you have automobile and health insurance. Reiterate that lack of health insurance is one of the biggest causes of bankruptcy.
Also remind, that with all the expensive cars on the road today, even a little fender bender without insurance can have you making payments to the courts for many years to come.

• Explain the following about each type of insurance listed below:

• Auto insurance
It is vital to purchase and maintain car insurance. Without it, there is a huge amount of risk– to yourself, others, and your future finances.

If you get in an accident without car insurance and you cause $80,000 in damages and medical costs, the courts will likely determine that you are responsible to pay the money. The court can garnish wages (automatically take your pay) to repay the money owed, thus severely stifling income for many years to come.

Shopping for insurance can take some time, but with the Internet you can obtain quotes fast.

However, make sure to read the policies and special provisions carefully to make sure you are evaluating comparable insurances.
Bottom line – Younger people pay higher insurance costs than older Americans.

It's a fact: teenage drivers cause a lot of accidents.
In fact, the number one killer of teens does not have a trigger or a plunger – it has a steering wheel.

.To help lower insurance cost, try the following:
Good driver discounts – Insurance premiums will increase if you get speeding tickets. Get too many tickets, you may not be able to find insurance at all.
Good grades – As a teen driver, good grades may lower insurance rates with many companies.

Good car – Young adults that purchase sports cars or 4-wheel drive vehicles pay more.

.Insurance companies figure the insured driver will be driving fast or off-road, and they don't want that.

.This explains why Mom and Dad do not want you to drive that the new BMW, but prefer you take the Honda.
It costs a bundle to insure you as a driver in a flashy car.

• Health Insurance
Explain that paying health insurance premiums can seem like a waste of money especially for those that are healthy.

.However having health insurance will protect you from sky-high medical bills if injured or if you experience a sudden illness.
It is tempting to think, "I'm young and I never get sick," and not to take health insurance if you have to pay for it.
Don't do this. You may be young, but you can break your leg snowboarding just as easily as anyone else.
Also, any catastrophic accident or illness could lead to bankruptcy if one is does not have Insurance. It happens to a lot of people each year. Don't be one of the 47 million uninsured Americans who play Russian roulette with their health and finances.

• **Health Insurance Explained:**
• Explain the information below to students about health insurance.
Let them know that many employers provide health insurance and that they only have to pay a certain amount of the insurance premiums through their paycheck.
Health insurance is a form of risk management that individuals use to protect themselves against an unpredictable health loss.

An insurance policy is a contract between an individual and an insurance company that transfers that loss from the individual to the insurance company for a fee.
All policies are not the same and should be reviewed and understood by the individual.

Here is the most important aspect to be considered.

1. Doctor and medical facility availability: An individual needs to make sure the doctors, hospitals and medical groups they want to use are contracted with their insurance company.

2. Premium (monthly cost): This monthly fee, which is paid by the individual, should be affordable and the individual should be able to maintain that premium over a period of time within the individual's budget.

3. Deductible: The amount that the policyholder must pay out-of-pocket before the health insurance plan pays its share.

4. Co-payment: The amount that the insured must pay before the health plans pays. This is a lot like a deductible but is applied to individual services, which are usually waived from the deductible (except for prescription drugs).

5. Exclusions: Not all services are covered in some plans. A lot of new plans do not have coverage for maternity or brand name prescription drugs. These exclusions can lower

premiums.

6. Out-of-pocket maximums: This is the amount where the policy holder's obligation ends under coinsurance and the insurance company pays 100% of the cost.

.Health insurance policies can be very confusing:

.It is best to find an insurance agent who specializes in this kind of coverage and meet with them to review the details.

.Insurance plans are no more expensive using an agent than going direct.

Renter's Insurance

Explain renter's insurance to the students.
Renters insurance can protect you in the event of a theft or fire, and is relatively inexpensive.

•Take an inventory of what you have and what it would cost to replace it.

• If you just have an old couch and some clothes, you probably don't want to add the expense of this insurance.

• On the other hand, if you have designer clothes, computers, furniture and other items that would cost you a lot to replace, take a look into renters insurance.
Explain that the challenge is to make sure one has enough medical and automobile insurance to protect you in case of an unexpected event.

Contact the companies you currently have your insurance with and 2 other companies. Ask a lot of questions and take good notes.

Consult with a trusted, knowledgeable, friend that may help you sort through the information you received.

•Make a decision to keep your policies the same or make changes so you are better protected.

Lesson Activity (10 minutes)
• Complete the "What's that insurance" activity in the student workbook.
• Instruct students to create their own definition of the following types of insurance in their workbooks:
Health (medical)
Automobile
Renter's
• Encourage them to be creative and have fun with the definition.
• Once the definitions are complete the will share one with the class.
• Have the class guess the types of insurance based off of the definition provided.

Lesson Review (10 minutes)
• Complete the Essential Questions in the Student Handbook.

Closing Activity/Remarks (5 minutes)
• Discuss the answers to the essential questions.

Lesson 3: Wills & Trusts

Lesson Overview: Students will learn about what wills and trusts are, to develop an understanding of how they can affect financial transactions. This lesson will help students understand the importance of having a will or trust created.
Essential Questions: At the end of the lesson your students should be able to answer the following
1. What are wills?
2. What are trusts?
3. Why are wills and trusts important?

Anticipatory Set (10 minutes)
• Have the students answer the question below in their workbooks:
If you were on vacation in Europe and you needed to a family member to watch your house and pay bills unexpectedly, do you have a clear plan that will tell them how to do this?

Lesson Explanation (20 minutes)
• Explain to the students that it is always important to plan ahead.
• Tell them that in this entire unit, they have learned the importance of planning ahead and preparing for the future.

• Ask the students to tell you what a will and/or a trust is.
Listen for responses and facilitate a discussion.
• Before you explain what a will and trust is to the students, tell them the following:
Explain that a will or a trust is a way to plan ahead. Just like when they created their financial plans for their immediate future. A will or trust is a financial plan for someone when they are no longer here.

• Define what a will is to the students.
Explain that without a will, the court gets to decide where the assets of the deceased go without their input.
•When a person passes away without a will or living trust a will, the state decides how to distribute their assets. If they have children under the age of 18 the state would also decide where the children go.

Explain what a living trust is.
•Living trusts may allow assets to be passed to heirs without going through probate.

Avoiding probate can save many costs associated with probate courts costs, avoid potential taxes and maintain privacy.

- Point out the importance of having both a will and trust it is important to get your wishes down on paper and be as clear as possible.
- A will and a trust is designed to make it easy for your relatives by providing all your account information and accounting for distribution of your assets. A lot of family fights are caused from fighting over who gets what.
- Explain that the general rule is that once you have anything of value to write out a will. Also, let them know there are plenty of free forms online that you can use. Once you start to amass greater wealth—you may want to have a lawyer craft a living trust for you.
- Remind students it is good to have a discussion with their parents about their plans.

Lesson Activity (20 minutes)

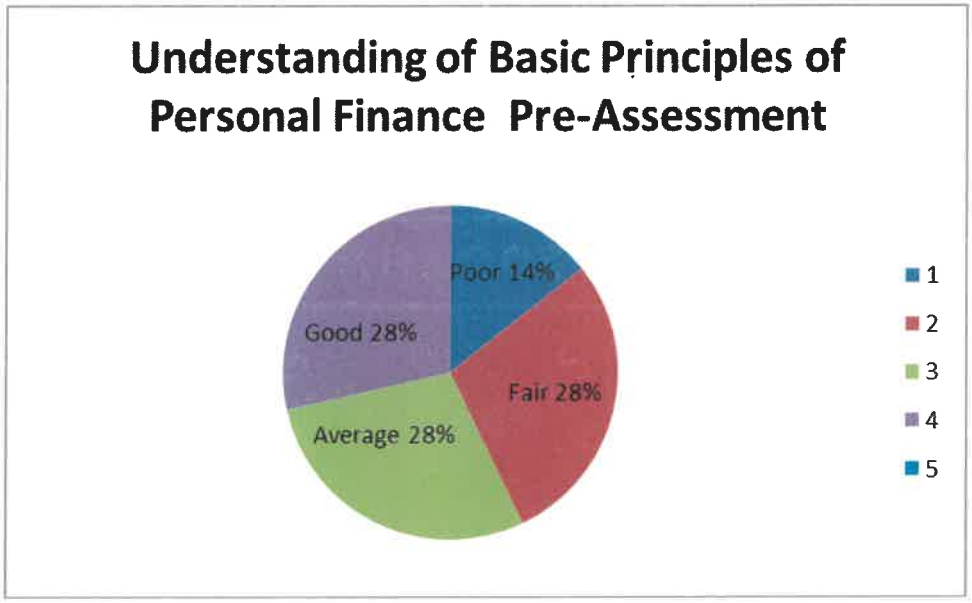
- Have the students' complete "My Top 5" activity in the workbook.
- In the activity students will write down the top 5 important things they learned about long-term planning in the unit.
- Students can complete this in groups or individually.
- Have the students share their results and tell why they picked what they did with the class.
- This cumulative activity will help students solidify what is important to them about long-term planning and share it with their friends to see what their friends think is important.

Lesson Review

- Complete the Essential Questions in the Student Handbook.
- Closing Activity/Remarks
- Discuss the answers to the essential questions.

APPENDIX D

PRE/POST SURVEY RESULTS


Understanding of Basic Principles of Personal Finance Pre-Assessment
Poor 14%
Fair 28%
Average 28%
Good 28%
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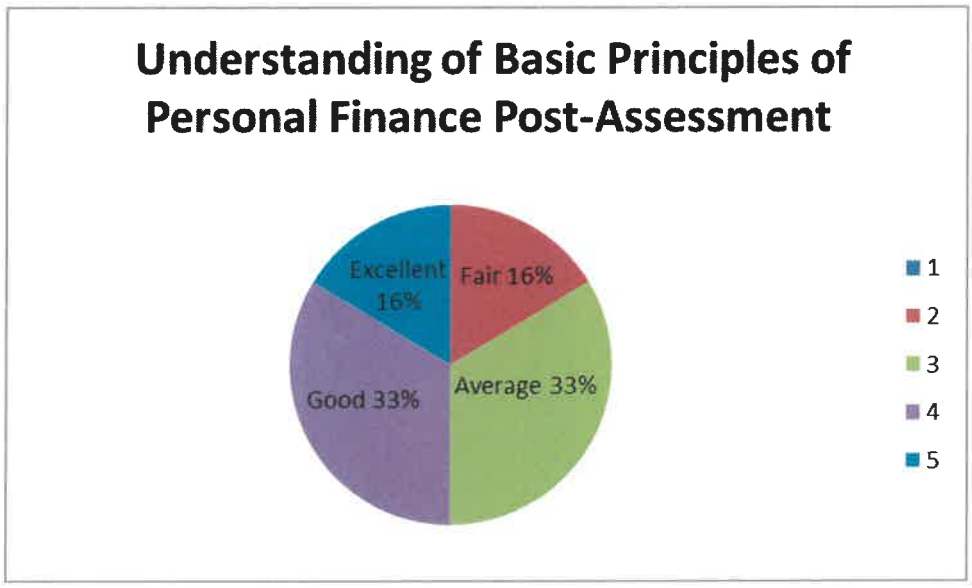
Understanding of Basic Principles of Personal Finance Post-Assessment
Excellent 16%
Fair 16%
Average 33%
Good 33%
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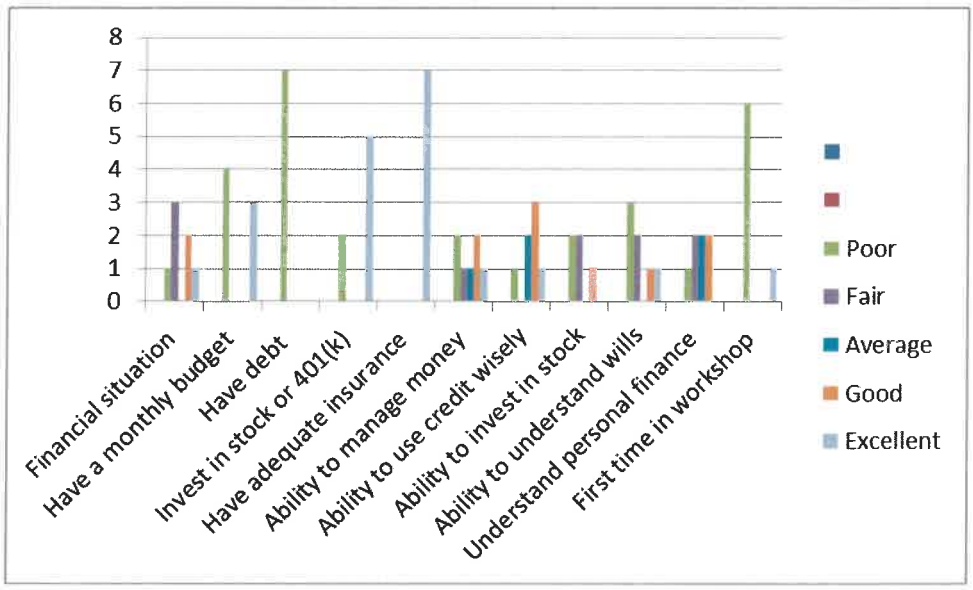
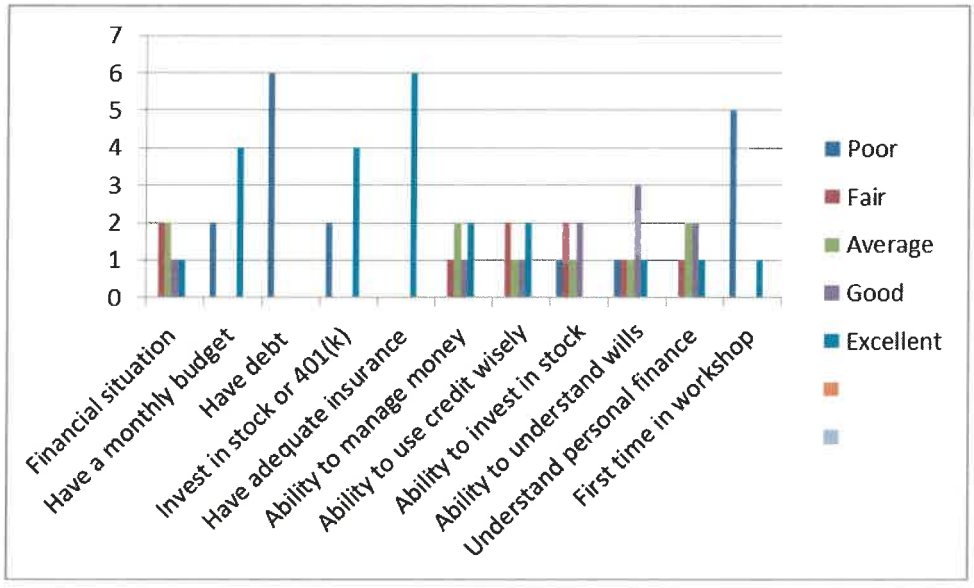


Pre assessment Raw Data



Post Assessment Raw Data

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